THE VOLCKER ALLIANCE
Working for Effective Government



Truth and Integrity in State Budgeting

THE BALANCING ACT

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This publication is the product of the Volcker Alliance. It is an important goal of the Alliance to produce reports that contain ideas, proposals, and recommendations for dealing with persistent governance problems in new ways based on independent research and analysis supporting constructive solutions. To stimulate this process and maintain project independence to make such conclusions and recommendations as they deem to be appropriate, these Alliance projects are commissioned to proceed without the requirement of approval of their conclusions and recommendations by the board of directors collectively or by individual members of the board of directors.

ABOUT THE ALLIANCE

THE VOLCKER ALLIANCE advances effective management of government to achieve results that matter to citizens. The nonprofit, nonpartisan organization is inspired by the legendary public service of our founder, Paul A. Volcker, former chairman of the Federal Reserve, and his vision of a public sector workforce with the experience, preparation, and commitment to ensure that government is accountable and delivers with excellence.

Revised Edition
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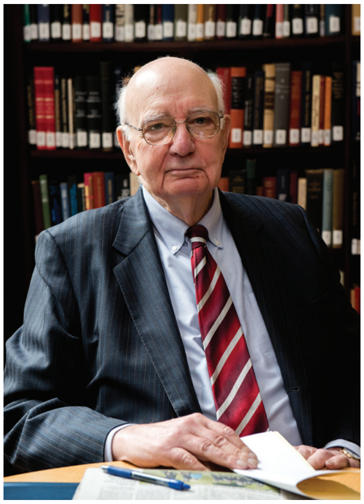
This revised edition includes corrections to Kentucky's average Budget Maneuvers grade for fiscal 2017-19; its annual Budget Maneuvers grades for fiscal 2018 and 2019; the trend of its Budget Maneuvers marks; and descriptive language in the Kentucky Budget Report Card.

Don Besom, art director; **Michele Arboit**, copy editor; **Anthony Freda**, cover illustration.

Paul A. Volcker
1927–2019



IN HIS INTRODUCTION to the 2017 report *Truth and Integrity in State Budgeting: What Is the Reality?*, Paul A. Volcker, the Volcker Alliance's founding chairman, wrote that the mission of the Alliance "is to improve the effectiveness of the administration of government at all levels, and making processes such as state budgeting more transparent is important to that goal."

A better-informed public "should provide decision makers with incentives for transparency and accuracy in setting out spending and revenue reporting," he wrote. The Alliance, he continued, "hopes that drawing attention to prevailing practices—and identifying the strongest and weakest among them—will encourage new efforts to raise standards for all states."

In his work as Federal Reserve Board chairman, as well as his subsequent pursuits, Mr. Volcker, who died in December 2019 at the age of 92, was always a steadfast advocate for making government live up to a high standard. At the Alliance, he frequently pored over drafts of the Truth and Integrity in Government Finance Initiative's reports and working papers, asking pointed questions and offering suggestions based on his decades of public service to help make the work more actionable. His long-standing goal of producing "a scorecard of good fiscal practices," as he once put it, is reflected in this fourth edition of *Truth and Integrity in State Budgeting*, which contains comprehensive state budget grades, expanded report cards, and a compendium of best practices in all fifty US states.

Mr. Volcker was especially concerned, as he wrote in 2015, that many states were under fiscal pressures that led them to "shift current costs onto future generations and push off the need to make hard choices on spending priorities and revenue practices." That unfortunate reality—which remains as true today as it did five years ago—was also a focus of his work before the Volcker Alliance's founding, as cochairman of the State Budget Crisis Task Force along with Richard A. Ravitch, his longtime colleague and an Alliance director. Paul Volcker had keen insights into the execution of government at all levels. This report is another contribution to his legacy of making government more effective and building a more stable future for us all.

William Glasgall

PREFACE

THIS REPORT MARKS the Volcker Alliance's third annual assessment of the budget practices of the fifty US states. Covering fiscal 2017, 2018, and 2019, the study grades states' success in pursuing transparent and fiscally sustainable procedures as they attempt to keep revenues and expenditures in balance from the beginning to the end of each year.

As in our 2017 and 2018 reports, we give states grades of A to D-minus, the lowest possible mark, for their practices in five building blocks of budgeting:

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

In this report, we also compare states' budgetary grades to marks given the year before and provide individual assessments of each state across the five budget categories.

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INTRODUCTION

ACROSS AMERICA, STATES HAVE BENEFITED mightily from the longest economic recovery since the mid-nineteenth century.[1] Total state expenditures reached $2.1 trillion in fiscal 2019, equivalent to about 10 percent of US gross domestic product, and states' spending of their own funds, excluding federal transfers, was the highest since the Great Recession.[2] The recovery is reflected in a widespread improvement in our third annual evaluation of the budgetary practices of all fifty states. But the advances are tempered by deeply rooted fiscal challenges in many states that will make it harder to balance budgets if the rebound—now over a decade old—slows or reverses course.

For example, public employee pensions remain a concern from coast to coast. Despite steady GDP growth and stock market gains, states have been able to salt away only 70.1 percent of the assets they need to cover their $4.4 trillion in pension liabilities, according to data compiled by Bloomberg for the Volcker Alliance (see table on page 20). They also confront a shortfall of almost $1 trillion in deferred maintenance costs for roads, bridges, and other public infrastructure,[3] and they need to come up with trillions more to fund promises for retiree health care, elementary and higher education, and other essential services. Yet even in the face of these shortfalls, states continue to declare their annual or biennial budgets balanced—forty-nine of them do so by law and one, Vermont, by practice. Because of the cash-based accounting method widely used in state budgeting, governments can leave these unfunded liabilities for future generations.

This edition of *Truth and Integrity in State Budgeting* covers fiscal 2017 through 2019 and evaluates how—and how transparently—each state assembles and balances its budget. The data and conclusions in this report are the product of research by public finance specialists and graduate students at eight universities, augmented by input from state budget and financial officials, finance experts at the consulting firm Municipal Market Analytics, and Volcker Alliance staff members. This report also draws on two state-focused working papers published in 2019 by the Alliance: *America's Trillion-Dollar Repair Bill: Capital Budgeting and the Disclosure of State Infrastructure Needs* and *Rainy Day Fund Strategies: A Call to Action*. For the first time, we have included a set of detailed state report cards that previously were published separately. Along with other resources available on the Alliance's website, they form a state budget laboratory that can point policymakers, advocates, investors, and citizens toward best practices for crafting fiscally sustainable strategies.

CONCLUSIONS

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

THE TOP-GRADED STATES (2017–19 Average)

BUDGET FORECASTING

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

BUDGET MANEUVERS

STATE	GRADE
California	A
Delaware	A
Georgia	A
Hawaii	A
Idaho	A
Indiana	A
Iowa	A
Michigan	A
Minnesota	A
Mississippi	A
Missouri	A
New Hampshire	A
Oregon	A
South Carolina	A
South Dakota	A
Tennessee	A
Utah	A
Vermont	A
Washington	A

LEGACY COSTS

STATE	GRADE
Georgia	A
Idaho	A
Iowa	A
Maine	A
Nebraska	A
Oklahoma	A
Oregon	A
South Dakota	A
Utah	A
Wisconsin	A

RESERVE FUNDS

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

TRANSPARENCY

STATE	GRADE
Alaska	A
California	A
Hawaii	A
Tennessee	A

THE LOWEST-GRADED STATES
(2017–19 Average)

BUDGET FORECASTING

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

BUDGET MANEUVERS

STATE	GRADE
Illinois	D-
New York	D-
Pennsylvania	D-

LEGACY COSTS

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

RESERVE FUNDS

STATE	GRADE
Illinois	D
Kansas	D

TRANSPARENCY

STATE	GRADE
Arkansas	C
Iowa	C
Missouri	C
North Dakota	C
South Carolina	C
Utah	C
Virginia	C
Wyoming	C

Budget forecasting. States should adopt binding consensus estimates for revenues and make predictions about both revenues and expenditures for more than the next fiscal year. A one-year estimate does little to reveal structural deficits that may dog subsequent budgets. States averaged a B for fiscal 2017 through 2019. Compared with our 2016–18 evaluation, marks improved for three states and declined for one.

Budget maneuvers. To avoid creating long-term structural deficits that burden future budgets, states should pay for expenditures with recurring revenue earned the same year. The 2017–19 average in the category was B, with grades rising from the previous evaluation for five states and falling for four.

Legacy costs. States should consistently make contributions that actuaries deem sufficient for pension and retiree health care plans. This principle is quantitatively the most important area of this study but presents a conundrum for states with severely underfunded pension systems. They need to simultaneously maintain essential public services and cover workers' retirement needs while repaying debts from years in which actuarially recommended pension contributions were not made. This was the lowest-graded category on average, with an overall grade of C for the three years covered. Still, financial market gains and higher revenue helped seven states raise their 2017–19 average from the previous evaluation; only one saw a drop.

Reserve funds. States should enact clear policies for rainy day fund deposits and withdrawals and adjust fund levels for the historical volatility of their revenues. The category average was B for 2017–19, with the marks of two states rising from the previous evaluation, and none declining.

Transparency. States should provide the data that public officials and citizens need to understand budgets. This includes online disclosure of budgetary information; public reporting

GRADE CHANGES

BUDGET FORECASTING

STATE	3-YEAR AVG. (2016–18)	3-YEAR AVG. (2017–19)
IMPROVED		
Delaware	B	A
Illinois	D	C
Nebraska	B	A
DECLINED		
New Hampshire	D	D-

BUDGET MANEUVERS

STATE	3-YEAR AVG. (2016–18)	3-YEAR AVG. (2017–19)
IMPROVED		
Colorado	C	B
Kansas	D	C
Michigan	B	A
Mississippi	B	A
Washington	B	A
DECLINED		
Arkansas	A	B
Illinois	D	D-
Nebraska	A	B
New York	D	D-

LEGACY COSTS

STATE	3-YEAR AVG. (2016–18)	3-YEAR AVG. (2017–19)
IMPROVED		
Georgia	B	A
Kentucky	C	B
Maine	B	A
Maryland	C	B
Minnesota	D	C
Virginia	D	C
Washington	D	C
DECLINED		
California	D	D-

RESERVE FUNDS

STATE	3-YEAR AVG. (2016–18)	3-YEAR AVG. (2017–19)
IMPROVED		
Connecticut	B	A
Montana	C	B

TRANSPARENCY

STATE	3-YEAR AVG. (2016–18)	3-YEAR AVG. (2017–19)
IMPROVED		
Arkansas	D	C
Hawaii	B	A
Indiana	C	B

of the scope and cost of tax expenditures, such as exemptions, credits, and abatements; and reporting of the cost of deferred infrastructure maintenance. States averaged a B in the period, with three states earning higher marks than in the previous evaluation and all others stable.

As difficult as it can be for states to follow the principles and best practices described in this report, the task of balancing budgets could be easier if they all adopted the modified accrual form of budgetary accounting instead of the cash-based method in general use. Cash accounting recognizes budgetary expenditures only when bills are paid.[4] This allows governments to commit to spending but to declare budgets balanced by deferring cash outflows until checks are cut. The modified accrual accounting method is more conservative. Used for budgeting by some municipalities, including New York City after its near-bankruptcy in 1975,[5] the technique requires recognition of promised payments when liabilities are incurred. The method is already recommended by the Governmental Accounting Standards Board for municipal financial statements, including comprehensive annual financial reports. Adoption of modified accrual for budgets would eliminate many one-time maneuvers and lead to genuinely balanced budgets.

STATE GRADES TABLE

	BUDGET FORECASTING			BUDGET MANEUVERS			LEGACY COSTS			RESERVE FUNDS			TRANSPARENCY		
US 3-YR. AVERAGE (GRADE | TREND)	B	↗		B	↗		C	↗		B	↗		B	↗	
STATE	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Alabama	D-	D-	D-	C	B	A	C	C	C	B	B	B	B	B	B
Alaska	B	B	B	C	C	B	B	B	B	A	A	A	A	A	A
Arizona	B	B	B	C	C	C	D	D	D	A	A	A	B	B	B
Arkansas	D	D	D	B	A	B	C	C	C	C	C	C	D	C	C
California	B	B	B	A	A	A	D	D-	D-	A	A	A	A	A	A
Colorado	C	C	C	C	B	A	D	D	D	B	B	B	B	B	B
Connecticut	A	A	A	C	C	D	D	D	D	B	A	A	B	B	B
Delaware	B	A	A	A	A	A	C	C	C	B	B	B	B	B	B
Florida	A	A	A	B	B	B	C	C	C	B	B	B	B	B	B
Georgia	C	C	C	A	A	A	A	A	A	B	B	B	B	B	B
Hawaii	A	A	A	B	A	A	D-	D-	D	A	A	A	B	A	A
Idaho	D	D	D	A	A	A	A	A	A	A	A	A	B	B	B
Illinois	D-	B	B	D	D-	D-	D-	D-	D-	D	D	D	B	B	A
Indiana	C	C	C	B	A	A	B	B	B	A	A	A	C	B	B
Iowa	C	C	C	B	A	A	A	A	A	B	B	B	C	C	C
Kansas	D	D	D	D	C	C	D	D	D	D	D	D	B	B	B
Kentucky	B	B	B	C	C	C	B	B	B	C	C	C	B	B	B
Louisiana	B	B	B	D	B	B	D	D	D	A	A	A	B	B	B
Maine	B	B	B	B	B	B	A	A	A	B	B	B	B	B	B
Maryland	A	A	A	C	D	C	D	A	A	C	C	C	B	B	B
Massachusetts	C	C	C	D	C	C	D-	D-	D-	A	A	A	B	B	B
Michigan	B	B	B	B	A	A	B	D	D	A	A	A	B	B	B
Minnesota	B	B	B	A	A	A	D	C	C	A	A	A	B	B	B
Mississippi	C	C	C	B	A	A	B	B	B	B	B	B	B	B	B
Missouri	D-	D-	D	A	A	B	C	C	C	B	B	B	C	C	C

	BUDGET FORECASTING			BUDGET MANEUVERS			LEGACY COSTS			RESERVE FUNDS			TRANSPARENCY		
US 3-YR. AVERAGE (GRADE|TREND)	B	↗		B	↗		C	↗		B	↗		B	↗	
STATE	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Montana	D	D	D	B	B	A	C	C	C	D	A	A	B	B	B
Nebraska	B	A	A	A	B	B	A	A	A	C	C	C	B	B	B
Nevada	C	C	C	B	B	B	C	C	C	B	B	B	B	B	B
New Hampshire	D	D-	D-	A	B	A	D	D	D	B	B	B	B	B	B
New Jersey	D	D	D	D	D	C	D-	D-	D-	B	B	B	B	B	B
New Mexico	B	B	B	D	D	B	D	B	B	B	B	A	B	B	B
New York	A	A	A	D	D-	D-	B	B	B	B	B	B	B	B	B
North Carolina	A	A	A	A	B	B	B	C	C	C	A	A	B	B	B
North Dakota	D-	D-	D-	B	B	B	D	D	D	A	A	A	C	C	C
Ohio	D	D	D	B	D	B	C	C	C	C	C	C	B	B	B
Oklahoma	B	B	B	B	B	A	A	A	A	A	A	A	B	B	B
Oregon	C	C	C	B	A	A	A	A	A	B	B	B	B	B	B
Pennsylvania	B	B	B	D-	D-	D-	D	D	D	C	C	C	B	B	B
Rhode Island	A	A	A	C	C	B	B	B	B	B	B	B	B	B	B
South Carolina	A	A	A	A	A	A	D	D	D	B	B	B	C	C	C
South Dakota	B	B	B	B	A	A	A	A	A	B	B	B	B	B	B
Tennessee	C	C	C	A	A	A	B	B	B	A	A	A	A	A	A
Texas	D	B	B	B	D	C	D-	D-	D-	A	A	A	B	B	B
Utah	C	A	A	A	A	A	A	A	A	A	A	A	C	C	C
Vermont	B	B	B	B	A	A	D	D	D	B	B	B	B	B	B
Virginia	A	A	A	C	C	B	D-	C	C	A	A	A	C	C	C
Washington	A	A	A	B	A	A	D	D	B	A	A	A	B	B	B
West Virginia	B	B	B	C	B	A	C	A	A	B	B	B	B	B	B
Wisconsin	D	D	D	B	B	B	A	A	A	B	B	B	B	B	B
Wyoming	B	B	B	B	B	A	D-	D-	D-	C	C	C	C	C	C

AREAS OF ANALYSIS

THE GRADES ASSIGNED TO STATES in each budgetary category highlight common themes and regional differences. Eastern states, including those in the New England and South Atlantic regions, generally did better in budget forecasting than those in the West. By contrast, the weakest grades in budget maneuvers were all east of the Mississippi River.

The impact of a strong economy is evident in the individual tales of a number of states, particularly in grades for budget maneuvers and reserve funds. Many states began fiscal 2019 with surpluses, which were largely generated by growth in personal income tax revenues.[6] This helped them avoid borrowing or selling assets to cover budget shortfalls and reduced the need to tap one-time revenues or push recurring expenditures into future years to achieve balance.

Prolonged GDP growth also helped states build up reserves. Twenty-five states have policies governing the use of surpluses to fill rainy day funds,[7] and the National Association of State Budget Officers estimates that the $72.3 billion in emergency reserves were at a record high as of fiscal 2019—7.6 percent of general fund spending.[8] However, even record rainy day balances cannot outweigh the trillions of dollars in unfunded pension and other postemployment benefit (OPEB) liabilities, which may take decades to overcome.

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

Budget Forecasting

We relied on four major indicators to evaluate budget forecasting: the use of consensus revenue estimates, multiyear revenue forecasts, and multiyear expenditure forecasts; and the inclusion of a detailed rationale for revenue growth projections at the time of the original budget.

All but eight states provided explanations for expected revenue growth. A standout was Maryland, which received an A average for budget forecasting for 2017–19. The state also provided information about assumptions that go into all of its forecasts in material from the Board of Revenue Estimates, which includes the state comptroller, treasurer, and secretary of budget and management. In periodic updates, the board explains its use of indicators for state and federal economic conditions such as wages and salary, personal income, total nonagricultural employment, and private housing starts.[9]

In our latest assessment we found twenty-nine states using consensus revenue forecasts arrived at by the legislative and executive branches. A consensus approach ensures that all budgeters base their work on the same projection. While it does not necessarily generate the most accurate forecasts, it can create a more efficient budgeting process that eliminates political squabbles over the amount of money available to support state expenditures.[10] In many states, the consensus revenue estimate binds the budget, with the governor and legislature restricted from spending more than the consensus revenue figure.[11]

States including Florida, New York, North Carolina, and Washington rely on such consensus procedures for their projections. In Florida, for example, experts including staffers at the legislature's Office of Economic and Demographic Research help the governor, Senate, and House of Representatives arrive at a single, universally accepted projection.[12] Florida's consensus system contrasts with the approach taken by states such as Alabama and North Dakota. Alabama leaves revenue forecasts entirely in the hands of the executive branch.[13] Meanwhile, North Dakota uses estimates generated by the executive's Office of Management and Budget. A committee that includes at least two legislators reviews the revenue forecasts, but its role is strictly advisory.[14]

Consensus forecasts usually focus on the upcoming annual or biennial budget. A longer outlook is needed to help ensure the sustainability of future budgets. That is why we give credit in the budget forecasting category to states using revenue and spending projections that extend at least three years beyond the current fiscal year. Fortunately, most states take this approach. As of fiscal 2019, thirty-two disclosed revenue projections at least three fiscal

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

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

years out, while twenty-six estimated expenditures for at least the same period. Long-term budget projections can help insulate states against the impact of predictable demographic changes, such as the costs of predictable school enrollment. They can also be useful for estimating the impact of tax cuts or increases. And they can help prevent decision-making that concentrates on the short term and may involve pushing recurring expenditures into the future or expanding programs that cannot be sustained.

In North Carolina, the biennial budget that covered July 2017 through June 2019 included revenue and expenditure projections through 2022. North Carolina statutes also require a five-year forecast of expenditures to accompany proposals for new laws or any new or expanded programs. In this way, the state can track proposed changes that will affect budgetary balance.[15]

Texas has changed its estimating practices to look even further ahead. Until 2017, the second-most-populous state projected revenues and spending only through the upcoming biennial budget, but a change in statutes now require that the Legislative Budget Board to report estimated revenues and expenses through 2029.[16]

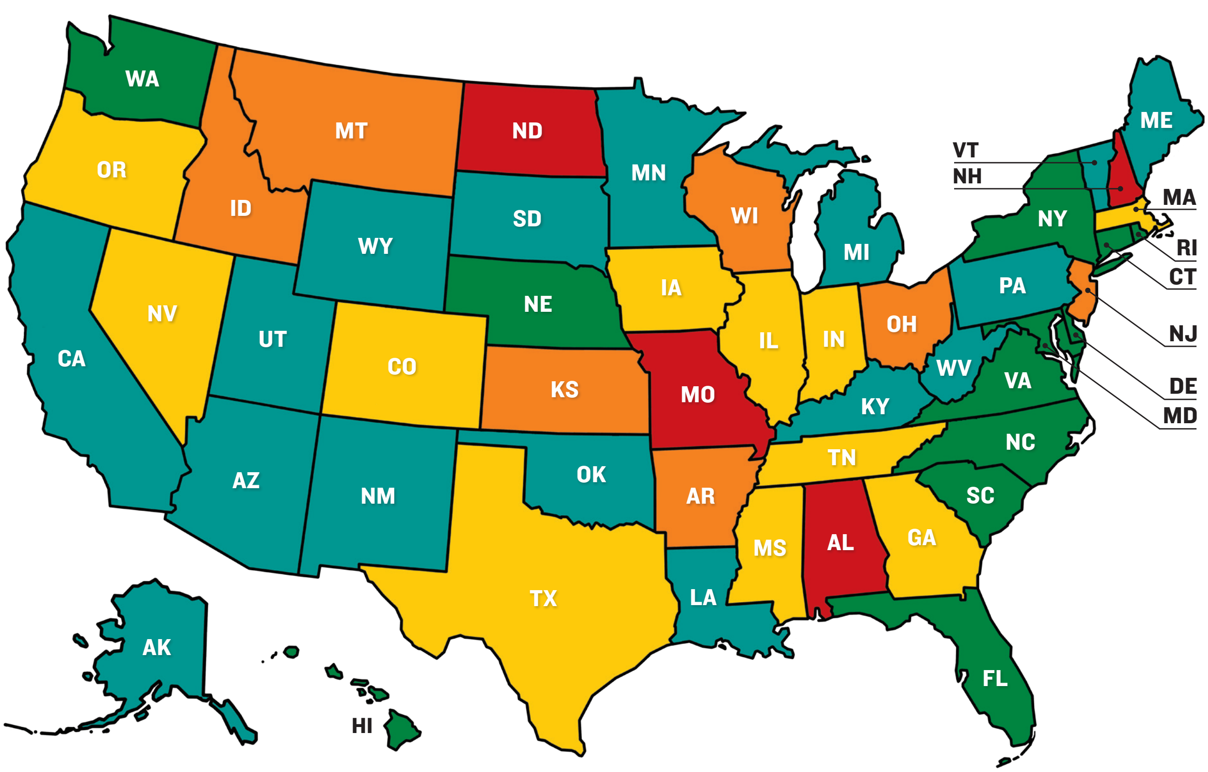
Budget Forecasting

This table contains assessments of the scope and quality of states' budgetary forecasting for fiscal 2017 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on whether they used consensus revenue estimates for the coming year or biennium in budget documents; provided a reasonable, detailed rationale to support revenue growth projections at the time of the initial budget; utilized multiyear revenue forecasts for at least three full fiscal years in budget and planning documents; and utilized multiyear expenditure forecasts for at least three full fiscal years in budget and planning documents.

KEY

GRADE (3-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%

TREND	
↗	Score rose from fiscal 2017 through 2019
—	No net change in score from fiscal 2017 through 2019
↘	Score fell from fiscal 2017 through 2019



BUDGET FORECASTING

STATE	GRADE	TREND
Connecticut	A	—
Delaware	A	↗
Florida	A	—
Hawaii	A	—
Maryland	A	—
Nebraska	A	↗
New York	A	—
North Carolina	A	—
Rhode Island	A	—
South Carolina	A	—
Virginia	A	—
Washington	A	—
Alaska	B	—
Arizona	B	—
California	B	—
Kentucky	B	—
Louisiana	B	—
Maine	B	—
Michigan	B	—
Minnesota	B	—
New Mexico	B	—
Oklahoma	B	—
Pennsylvania	B	—
South Dakota	B	—
Utah	B	↗
Vermont	B	—

STATE	GRADE	TREND
West Virginia	B	—
Wyoming	B	—
Colorado	C	—
Georgia	C	—
Illinois	C	↗
Indiana	C	—
Iowa	C	—
Massachusetts	C	—
Mississippi	C	—
Nevada	C	—
Oregon	C	—
Tennessee	C	—
Texas	C	↗
Arkansas	D	—
Idaho	D	—
Kansas	D	—
Montana	D	—
New Jersey	D	—
Ohio	D	—
Wisconsin	D	—
Alabama	D-	—
Missouri	D-	↗
New Hampshire	D-	↘
North Dakota	D-	—
US AVERAGE	B	↗

Budget Maneuvers

States may resort to budget maneuvers when a current year's revenues fall short of budgeted expenditures. Such techniques merely shift obligations to future years without addressing structural budget deficits. Major budget maneuvers include funding recurring expenses with debt or asset sales; deferring recurring expenditures; or shifting revenues or costs in other ways—for example, by tapping special funds that have been established for energy, transportation, or other services to bolster general fund spending and achieve budgetary balance.

The averages of Colorado, Kansas, Michigan, Mississippi, and Washington in the budget maneuvers category improved in fiscal 2017–19 from the previous three-year evaluation period, while those of Arkansas, Illinois, and New York dropped.

Only one state—Pennsylvania, which posted a bottom-dwelling average of D-minus—received no credit in any of the five indicators in budget maneuvers. Its tactics included using debt to fund recurring noncapital expenses. For example, the state used $41.1 million of proceeds from a sale of general obligation bonds in 2018 to pay capitalized interest on the debt in fiscal 2019 that should have been paid from operating revenues.[17] Pennsylvania also used $1.5 billion in proceeds from a 2018 issue of Tobacco Master Settlement Agreement payment revenue bonds to cover a "significant" negative balance in the general fund at the end of fiscal 2016–17 resulting from revenue shortfalls and bigger-than-expected tax refunds.[18] In addition, the proceeds were used to pay about $90 million in interest on tobacco bonds that was due in fiscal 2018 and 2019.[19] (The 1998 tobacco agreement provides annual payments in perpetuity from cigarette manufacturers to forty-six states, the District of Columbia, and US territories.[20])

Revenue and cost-shifting are by far the most widely used budget maneuvers. Nineteen states used at least one of the techniques to help balance budgets from fiscal 2017 through 2019. In Kansas, for example, transfers from the highway fund to the general fund occurred in each year, reaching a high of $293.1 million in 2019.[21] Most of those highway funds came from motor fuel and sales taxes that were originally designed to support roads. New Jersey took a similar diversionary path for several years. For instance, in 2018 the state appropriated $82 million from the Clean Energy Program to replace general fund appropriations for New Jersey Transit Corporation utility costs.[22]

Among the eight states deferring recurring expenditures each year in fiscal 2017–19, Illinois was unquestionably the most extreme case. It has routinely delayed vendor payments for many years, with unpaid bills reaching a high of $16.7 billion in November 2017.[23] The

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

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

amount owed has declined substantially since then, to $6.7 billion as of January 2020.[24] But this was partially accomplished through the use of general obligation bonds to cover debts, effectively converting short-term liabilities into ones that will last for a decade.

Illinois was also one of six states that included proceeds from sales of public assets or upfront proceeds on financial transactions to help balance budgets in 2018 and 2019. The others were New Jersey, New York, Pennsylvania, Texas, and Virginia. New York, Pennsylvania, and Virginia did so for an additional year, 2017. Illinois included $300 million in revenues from the planned sale of the James R. Thompson Center, a state office building in Chicago, in the 2018 budget and inserted the same figure in the 2019 budget when the transaction did not occur.[25] A windfall in corporate and individual tax revenues helped save the state from cutting expenses to fill the gap left by the failure of the center to sell.[26]

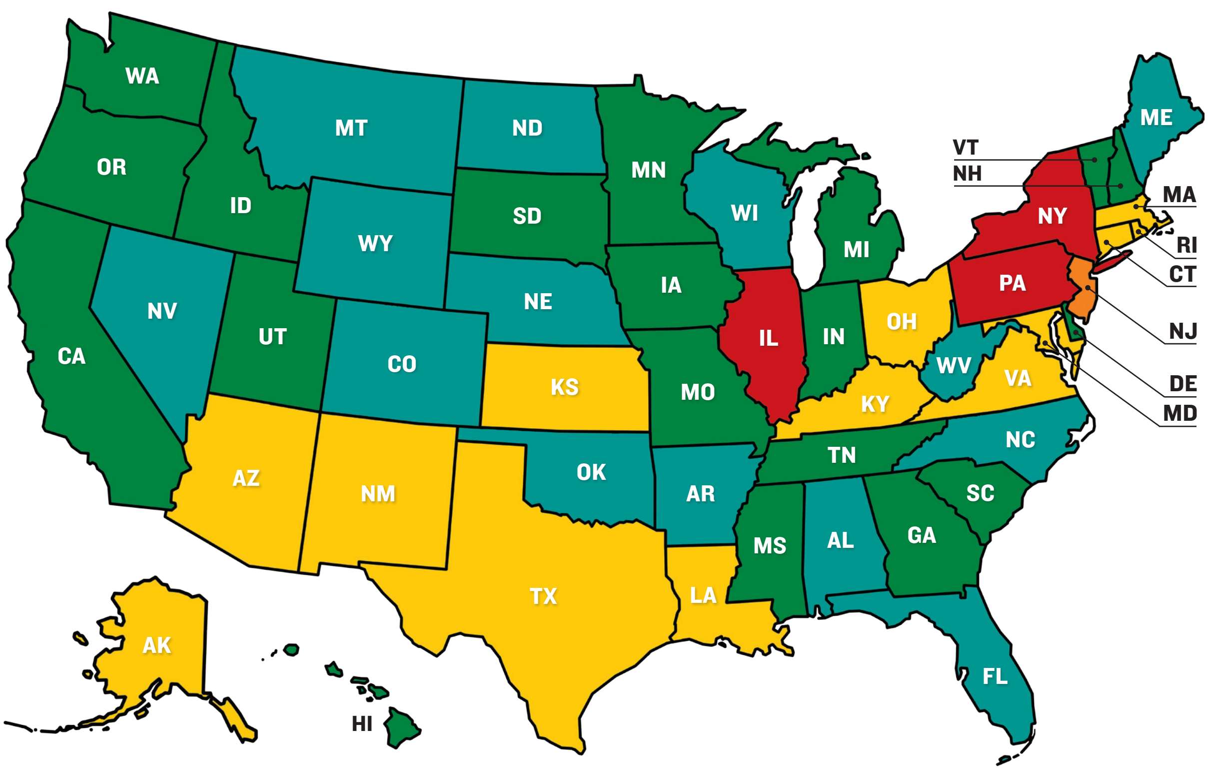
Budget Maneuvers

This table contains assessment of states' use of a range of one-time actions to balance budgets for fiscal 2017 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on their successful avoidance of such techniques. They include: deferring recurring expenditures (excluding those for capital projects) into future fiscal years; transfers from special funds to the general fund to cover recurring expenditures; temporarily shifting costs to other governments or agencies, or upstreaming cash from such entities that is not part of a regular process; using proceeds of borrowings, scoop-and-toss refinancings, diverting bond premiums into the general fund, or using bonds to make pension contributions; or using asset sales or other upfront cash flows from financial transactions to the general fund or similar accounts.

KEY

GRADE (3-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%

TREND	
↗	Score rose from fiscal 2017 through 2019
—	No net change in score from fiscal 2017 through 2019
↘	Score fell from fiscal 2017 through 2019



BUDGET MANEUVERS

STATE	GRADE	TREND
California	A	—
Delaware	A	—
Georgia	A	—
Hawaii	A	↗
Idaho	A	—
Indiana	A	↗
Iowa	A	↗
Michigan	A	↗
Minnesota	A	—
Mississippi	A	↗
Missouri	A	↘
New Hampshire	A	—
Oregon	A	↗
South Carolina	A	—
South Dakota	A	↗
Tennessee	A	—
Utah	A	—
Vermont	A	↗
Washington	A	↗
Alabama	B	↗
Arkansas	B	—
Colorado	B	↗
Florida	B	—
Maine	B	—
Montana	B	↗
Nebraska	B	↘

STATE	GRADE	TREND
Nevada	B	—
North Carolina	B	↘
North Dakota	B	—
Oklahoma	B	↗
West Virginia	B	↗
Wisconsin	B	—
Wyoming	B	↗
Alaska	C	↗
Arizona	C	—
Connecticut	C	↘
Kansas	C	↗
Kentucky	C	—
Louisiana	C	↗
Maryland	C	—
Massachusetts	C	↗
New Mexico	C	↗
Ohio	C	—
Rhode Island	C	↗
Texas	C	↘
Virginia	C	↗
New Jersey	D	↗
Illinois	D-	↘
New York	D-	↘
Pennsylvania	D-	—
US AVERAGE	B	↗

Legacy Costs

Legacy costs, including public worker pension and OPEB, largely health care, are probably states' largest long-term financial burdens. Many states face deficits resulting from their failure to follow actuarial recommendations for fully providing for promised retirement benefits.

While rising stock prices helped state pension systems improve their funding to a total of 70.1 percent of promised obligations in 2018 from 66.3 percent in 2016,[27] many pensions still do not meet their assumed returns. This indicates that the cumulative deficit will continue to grow unless benefits are reduced, government or worker contributions are increased, or some combination of the three is implemented. (We have used 2018 pension funding data in calculating legacy cost grades for 2019.)

The way to eliminate long-term unfunded retirement liabilities over time is to deposit a so-called actuarially determined contribution (ADC) into pension funds each year. Yet twelve states, including California, Texas, and Virginia, failed to pay their full ADC in one of the three years evaluated.

The lack of annual actuarial funding for OPEB is even more troublesome. Twenty-six states failed to meet their ADC in all three years from fiscal 2017 through 2019. While some states had small OPEB liabilities, others have enormous long-term obligations. Though California's OPEB liabilities fell by $5.4 billion from 2017, its plan showed a deficit of $85.6 billion as of June 30, 2018.[28] That is equivalent to $2,100 for every resident of the nation's most-populous state.

Even worse on a per capita basis is South Carolina. Its OPEB plan had a net liability of

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

RESEARCH QUESTIONS	WHY IT'S IMPORTANT
Was the contribution to public employee pension funds effectively 100 percent of the actuarially required or determined (ARC or ADC) amount?	State pension actuaries determine how much each government employer needs to set aside every year to ensure that sufficient assets are available to cover future pension benefits. If a state deposits less than the amount actuaries recommend, future government contributions are likely to rise, limiting states' capacity to pay for essential services.
Was the contribution to public employee other postemployment benefits (OPEB) effectively 100 percent of the ARC or ADC amount?	States have about $700 billion in unfunded OPEB retirement liabilities. These largely stem from promised health care benefits for retired public workers. While states are required to report OPEB liabilities, most pay for retiree health costs, when coverage is offered, on a pay-as-you-go basis. The result is that unfunded liabilities will grow along with the ranks of retired workers.
Was the state's pension funded ratio above 90 percent (for full credit) or above 70 (for half credit)?	Even though states may be making the ARC or ADC for pensions, many still have large unfunded liabilities built up from past years. A large accrued debt necessitates spending more on amortization each year.

$15.1 billion as of June 30, 2019,[29] equivalent to $2,600 for each resident. (Like many states, California and South Carolina provide funding for OPEB largely on a pay-as-you-go basis rather than providing adequate funding as benefits are earned each year.)

All but eight states retained the same average mark in legacy costs for 2017–19 that they had scored for 2016–18. California was the only state whose average dropped, to D-minus from D. Averages rose for the remaining seven: Georgia, Kentucky, Maine, Maryland, Minnesota, Virginia, and Washington. For example, Minnesota's average rose to C from D. Its pension funding ratio jumped by 10.1 percentage points between fiscal 2016 and 2017 and another 18.5 in fiscal 2018. That left the state with a funding level of 81.8 percent in 2018.

The C average of all states represents a broad spectrum of grades: ten top As; nine Bs; fourteen Cs; ten Ds; and seven D-minuses, the lowest possible mark.

Among US Census regions, the Mid-Atlantic and East South Central states were the only areas in which no state averaged an A. New England did the worst in general, with four of the six states posting a D or D-minus. Maine was the only New England state to average an A. It contributed 100 percent or more of the ADC to its pension plan in fiscal 2017–19 and had a funded ratio of 84.5 percent in 2018. Its annual contributions for OPEB over the period were also in line with actuarially determined amounts.

Making annual contributions is of great importance for states, as it can take years or decades to compensate for appropriations that are skipped or below actuarial recommendations. For example, Vermont's pensions are 64 percent funded, 6 points below the total for all states. Even though the state has been making 100 percent of its ADC since at least 2015, it frequently underfunded the contributions in the past. From 1997 to 2006, it never made the full contribution. Its contribution in 2004 was just 67 percent of the amount needed to achieve full funding over time.[30] Overall, of the fifteen states with pensions less than 65 percent funded in 2018, ten paid their full ADC in each year evaluated. Their budgets will for many years bear the weight of making up for previously missed contributions.

THE STATE OF STATE PENSIONS

STATE	UNFUNDED LIABILITY (MILLIONS)*	PENSION FUNDED RATIO 2018	STATE	UNFUNDED LIABILITY (MILLIONS)*	PENSION FUNDED RATIO 2018
Alabama	$15,229	71.9%	**Nebraska**	$1,532	90.3%
Alaska	6,929	68.4	**Nevada**	13,663	75.3
Arizona†	26,621	63.6	**New Hampshire**	4,853	64.7
Arkansas	6,508	81.2	**New Jersey**	130,717	38.4
California†	247,023	68.3	**New Mexico**	18,166	61.0
Colorado	31,507	58.8	**New York**	4,238	98.0
Connecticut	35,428	45.7	**North Carolina**	12,510	88.6
Delaware	1,761	85.1	**North Dakota**	3,030	65.2
Florida	41,437	79.6	**Ohio**	63,908	74.4
Georgia	22,950	80.1	**Oklahoma**	7,398	81.3
Hawaii	13,319	55.5	**Oregon**	15,149	82.1
Idaho	1,381	92.4	**Pennsylvania**	68,836	54.8
Illinois	140,593	39.0	**Rhode Island**	5,546	55.2
Indiana	14,580	66.5	**South Carolina**	25,466	55.1
Iowa	6,482	83.6	**South Dakota**	-2	100.0
Kansas	8,901	68.9	**Tennessee**†	2,941	93.9
Kentucky	28,604	44.9	**Texas**	76,473	70.6
Louisiana	17,813	67.7	**Utah**	5,449	85.2
Maine	2,666	84.5	**Vermont**	2,418	64.2
Maryland	21,955	70.4	**Virginia**	20,338	79.0
Massachusetts	36,941	60.6	**Washington**	6,048	93.9
Michigan	37,603	63.2	**West Virginia**	3,346	82.6
Minnesota	15,189	81.8	**Wisconsin**†	12	100.0
Mississippi	16,809	62.6	**Wyoming**	3,643	68.5
Missouri	16,636	77.8	**US TOTAL**	**$1,314,931**	**70.1%**
Montana	4,389	72.6	**US MEDIAN**	**$14,121**	**71.3%**

*Net pension liability, 2018.

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

SOURCE Bloomberg.

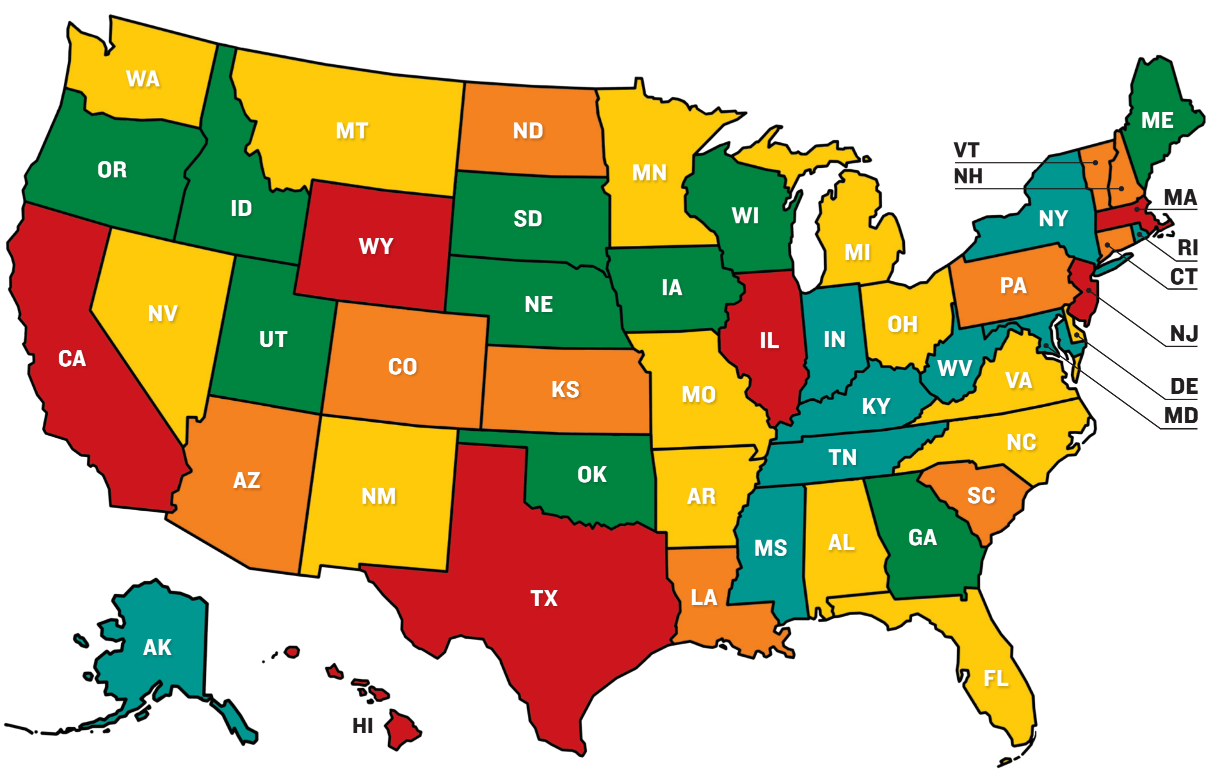
Legacy Costs

This table contains assessments of states' ability to meet promises made to public employees for pensions and other retirement costs for fiscal 2017 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on whether their contributions to public employee pension funds were effectively 100 percent of the actuarially required or determined contributions (ARC or ADC), adjusted for any unfunded liabilities; and whether their contributions to any public employee other postemployment benefit (OPEB) plans were effectively 100 percent of the ARC or ADC.

KEY

GRADE (3-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%

TREND	
↗	Score rose from fiscal 2017 through 2019
—	No net change in score from fiscal 2017 through 2019
↘	Score fell from fiscal 2017 through 2019



LEGACY COSTS

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

Reserve Funds

"Rainy day funds are the savings accounts of US states," the Volcker Alliance stated in *Rainy Day Fund Strategies: A Call to Action*.[31] Thanks to the robust economy of the past several years, states have had money to add to their reserves, which are used to support spending during economic downturns, natural disasters, public health threats, and other emergencies.

Moody's Investors Service projects that state revenue growth will slow to 4 percent in 2020 from 4.9 percent in 2019. While that is under the average annual growth rate, in nominal dollars, of 5.4 percent from 1979 through 2017,[32] even the slower pace estimated is likely to support continued growth in rainy day funds at least for the year.[33]

Reserve funds and budget maneuvers contained the highest number of three-year A averages. Eighteen states earned the top grade in these categories—the two that benefit most from a healthy economy.

Only Connecticut and Montana improved their average in the reserve funds category from the previous three-year period. Connecticut's average rose to A for 2017–19 from B in 2016–18 thanks to 2017 legislation that incorporated revenue volatility into its rainy day funding policy. Under the law, personal income tax collections above a certain amount must be deposited into the Budget Reserve Fund. The cap was set at $3.1 billion for 2019 and $3.3 billion for 2020.[34]

Montana's average rose to B from C because of policies established in 2017 that adhere closely to best practices cited in *Rainy Day Fund Strategies: A Call to Action*. Montana's new law details appropriate uses of rainy day fund dollars as well as a process for replenishment. It is also one of twenty-one states that tie rainy day funding to historical revenue volatility.[35]

Kansas and Illinois were the only states to receive D averages in reserve funds for 2017–19. While Kansas passed a law in 2016 establishing a rainy day fund, the legislature has repeatedly delayed putting any money into it.[36] As of fiscal 2019, Kansas had yet to create policies for appropriate replenishment and disbursement of its rainy day fund. Meanwhile, Illinois's Budget Stabilization Fund exists almost exclusively on paper. As of fiscal 2019 it totaled $4 million, equivalent to about 32 cents for every man, woman, and child in the state.[37]

Twenty-nine states just missed A averages in the category, partly because they do not take steps to tie rainy day fund deposits or balances to historical revenue volatility. This linkage is typically established through an economic formula, a budgetary formula, a revenue volatility analysis, or by tapping volatile revenue streams. In Oklahoma, for example, gen-

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

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

eral revenue fund collections beyond 100 percent of the amount estimated at the beginning of the fiscal year must be deposited into the Constitutional Reserve Fund until it reaches a cap specified by the constitution. The cap is currently set at 15 percent of the present year's estimated state revenue.[38]

RESERVE FUNDS

This table contains assessments of states' balances and policies for reserve funds for fiscal 2017 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on whether they had policies (set by constitution, referendum, statute, or other formal rule) for the use and replenishment of rainy day funds; whether the rainy day fund balance (or contribution) was specifically tied to the historical trend of revenue volatility; and whether the rainy day fund or general fund balances were greater than zero on the first day of the fiscal year.

KEY

GRADE (3-Year Average)	
A	Scored 81%–100%
B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%

TREND	
↗	Score rose from fiscal 2017 through 2019
—	No net change in score from fiscal 2017 through 2019
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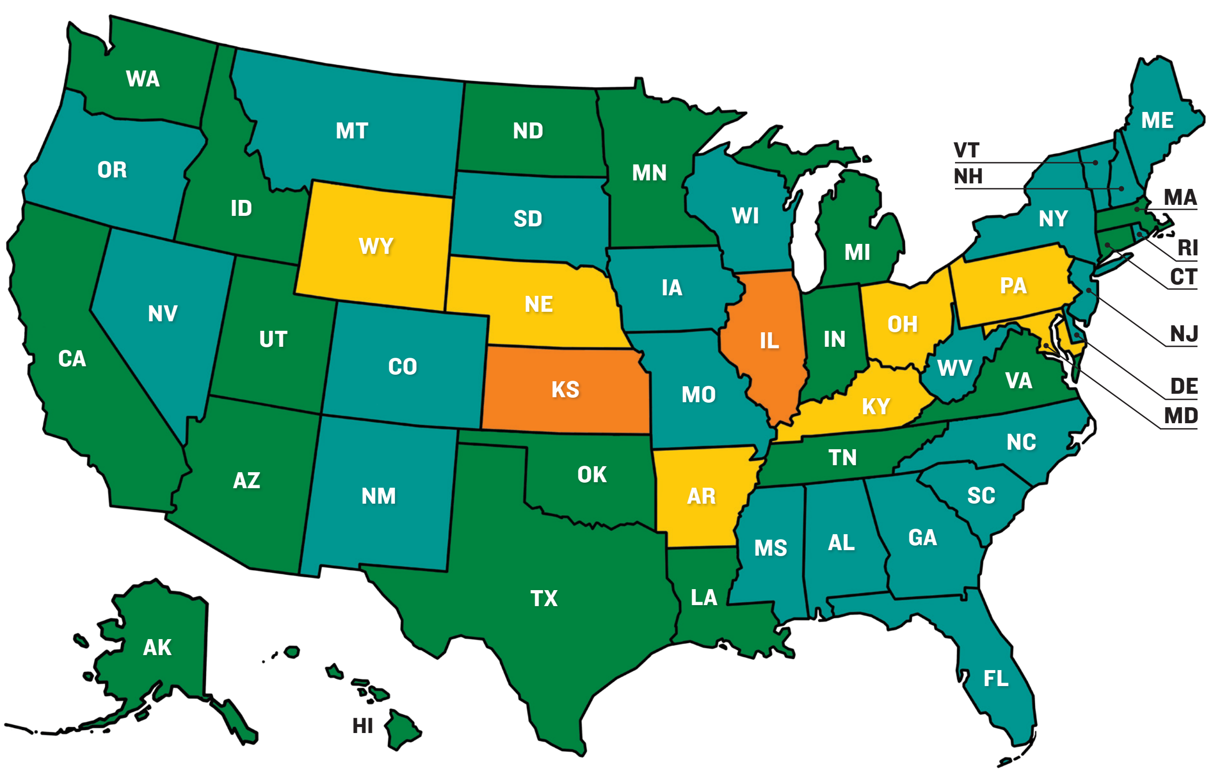

RESERVE FUNDS

STATE	GRADE	TREND
Alaska	A	—
Arizona	A	—
California	A	—
Connecticut	A	↗
Hawaii	A	—
Idaho	A	—
Indiana	A	—
Louisiana	A	—
Massachusetts	A	—
Michigan	A	—
Minnesota	A	—
North Dakota	A	—
Oklahoma	A	—
Tennessee	A	—
Texas	A	—
Utah	A	—
Virginia	A	—
Washington	A	—
Alabama	B	—
Colorado	B	—
Delaware	B	—
Florida	B	—
Georgia	B	—
Iowa	B	—
Maine	B	—
Mississippi	B	—

STATE	GRADE	TREND
Missouri	B	—
Montana	B	↗
Nevada	B	—
New Hampshire	B	—
New Jersey	B	—
New Mexico	B	↗
New York	B	—
North Carolina	B	↗
Oregon	B	—
Rhode Island	B	—
South Carolina	B	—
South Dakota	B	—
Vermont	B	—
West Virginia	B	—
Wisconsin	B	—
Arkansas	C	—
Kentucky	C	—
Maryland	C	—
Nebraska	C	—
Ohio	C	—
Pennsylvania	C	—
Wyoming	C	—
Illinois	D	—
Kansas	D	—
US AVERAGE	B	↗

Transparency

States should explain fully to the public how they project, develop, and balance budgets. Without such transparency, citizens are far less able to hold public officials accountable.[39]

Transparency once involved little more than making official documents available to the public and the press. But as the internet has become a home for any resource a state chooses to put online, far more information can be accessed with a click. Arkansas was the only state that lost credit because of its lack of a consolidated budget website. Still, only four states—Alaska, California, Hawaii, and Tennessee—earned A averages. They were the only ones providing information on deferred infrastructure maintenance costs to the public for all three years of the evaluation period. (Illinois began comprehensive disclosure of this information in 2019.)

Disclosure of such infrastructure data is critical to assessing spending needs and balancing a budget. According to *America's Trillion-Dollar Repair Bill: Capital Budgeting and the Disclosure of State Infrastructure Needs*, "The cost of making deferred repairs at the state level may be as large as $873 billion, equivalent to 4.2 percent of US gross domestic product, or almost three times the value of all investment by states and localities in nonresidential fixed assets."[40]

Eight states posted C averages, the lowest grade given in this category: Arkansas, Iowa, Missouri, North Dakota, South Carolina, Utah, Virginia, and Wyoming. Arkansas's grade

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

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

marked an improvement over the 2016–18 evaluation, when it was the only state to average D in the category. The modest improvement reflects efforts to upgrade its reporting of tax expenditures. In 2018, it disclosed the cost to the state of a wide range of such expenditures, including business incentives and tax credits.[41] A year later, Arkansas further enhanced its reporting practices under a new statute requiring biennial reporting of the cost of "exemptions, discounts, credits, and deductions relating to income tax and sales and use tax."[42]

The other C-graded states failed to provide comprehensive tax expenditure reports, which are essential to understanding the amount a state is handing out in abatements, deductions, credits, and exemptions. Some states in this group, such as Missouri and Utah, provide a degree of tax expenditure information but fell short of comprehensive disclosure.

The Governmental Accounting Standards Board, which sets standard for state and local financial reporting, has required disclosure of some tax abatements in comprehensive annual financial reports beginning in December 2015. But its Statement No. 77 focuses on abatements given to individuals or companies in exchange for specific actions, while leaving out more general tax exemptions or credits that typically appear in states' budgetary disclosures.[43]

TRANSPARENCY

This table contains assessments of states' actions to promote greater transparency of their budget and related information for fiscal 2017 through 2019. States are graded on a scale of A to D-minus, the lowest possible mark, on whether they had a consolidated website or set of related sites providing budget and supplemental data; provided tables listing outstanding debt, debt service costs, and information on any legal debt limits; disclosed the estimated cost of the deferred infrastructure maintenance liability for all capital assets as part of budget and planning documents; and provided an annual or biennial tax expenditure report in budget documents or through other agencies.

KEY

GRADE (3-Year Average)	
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B	Scored 61%–80%
C	Scored 40%–60%
D	Scored 20%–39%
D-	Scored 0%–19%

TREND	
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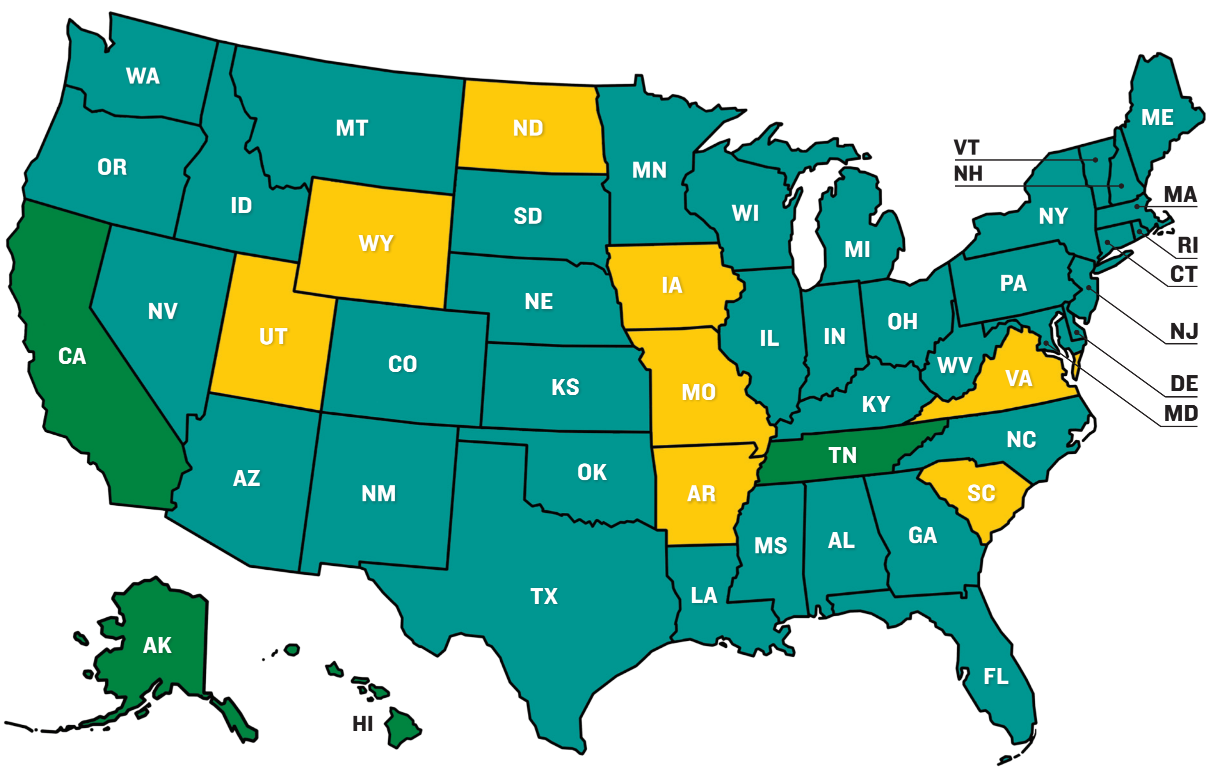


TRANSPARENCY

STATE	GRADE	TREND
Alaska	A	—
California	A	—
Hawaii	A	↗
Tennessee	A	—
Alabama	B	—
Arizona	B	—
Colorado	B	—
Connecticut	B	—
Delaware	B	—
Florida	B	—
Georgia	B	—
Idaho	B	—
Illinois	B	↗
Indiana	B	↗
Kansas	B	—
Kentucky	B	—
Louisiana	B	—
Maine	B	—
Maryland	B	—
Massachusetts	B	—
Michigan	B	—
Minnesota	B	—
Mississippi	B	—
Montana	B	—
Nebraska	B	—
Nevada	B	—

STATE	GRADE	TREND
New Hampshire	B	—
New Jersey	B	—
New Mexico	B	—
New York	B	—
North Carolina	B	—
Ohio	B	—
Oklahoma	B	—
Oregon	B	—
Pennsylvania	B	—
Rhode Island	B	—
South Dakota	B	—
Texas	B	—
Vermont	B	—
Washington	B	—
West Virginia	B	—
Wisconsin	B	—
Arkansas	C	↗
Iowa	C	—
Missouri	C	—
North Dakota	C	—
South Carolina	C	—
Utah	C	—
Virginia	C	—
Wyoming	C	—
US AVERAGE	B	↗

FIFTY STATE REPORT CARDS

THE REPORT CARDS BEGINNING ON PAGE 32 contain each state's average grades in all five budgetary categories for fiscal 2017 through 2019, along with their annual marks. The report cards also contain explanations of the principal drivers of each state's grades, as well as comparisons with results in neighboring states.

ALABAMA Budget Report Card

ALABAMA EARNED A THREE-YEAR D-minus average in budget forecasting for fiscal 2017 through 2019, the lowest possible grade and one shared in the category by only three other states. Poor forecasting practices compromise these states' ability to plan for budgetary needs.

Alabama forgoes consensus revenue estimates in favor of forecasts provided by the executive branch. It also lacks multiyear forecasts for expenditures or revenues. Instead, it projects revenues for only one year and does not explain the economic assumptions used to estimate growth.

In legacy costs, which include public worker pensions and other postemployment benefits (OPEB), principally health care, the state received a C average. In 2018, pension liabilities were funded at 72 percent, 2 percentage points above the total for all states. While Alabama made annual pension contributions in line with actuarial requirements for each year of the evaluation, the same was not true for OPEB. The state faces a $9.6 billion OPEB liability, 15 percent greater than its annual revenues.

Alabama did not earn a top A average in any category but achieved B averages in transparency, reserve funds, and budget maneuvers. In the last category, the state improved during the period, with its annual score rising to an A in 2019 from C in 2017. The improvement in 2018 resulted from a lack of one-time transfers to the general fund for recurring expenditures. In 2019, the state ceased paying recurring expenditures with debt, as it had in 2017 and 2018.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

ALABAMA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	✓	✓
Funding Recurring Expenditures with Debt	X	X	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	71%	72%	72%

3-YEAR AVERAGE C | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

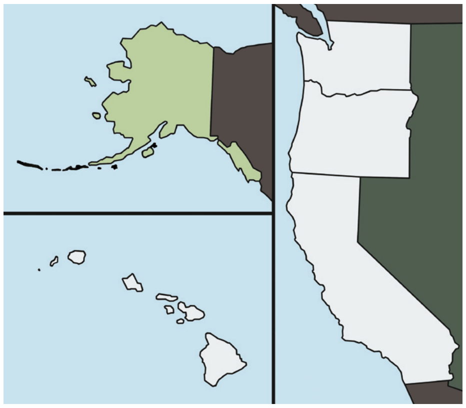
KEY

✓	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; 2018 data also used for 2019.

ALASKA Budget Report Card



ALASKA'S BUDGET DOCUMENTS have included tables for deferred infrastructure maintenance costs, listed by agency, since at least 2015. The disclosure helped the state score a top average of A for transparency for fiscal 2017 through 2019. Alaska's consolidated budget website, debt tables, and tax expenditure reports also contributed to its high mark. California, Hawaii, and Tennessee were the only other states to average As in transparency.

In the budget maneuvers category, Alaska received a C average for using one-time measures that may create budget-balancing challenges in future years. For example, the state delayed payments to Medicaid providers from fiscal 2018 to 2019 as 2018 revenues fell $38 million short of spending commitments.

Alaska was one of seventeen states to earn an A average in reserve funds. Its statutes align with best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. The Constitutional Budget Reserve Fund is governed by clear rules concerning disbursements and replenishments, and Alaska is among twenty-one states that tie goals for reserve funds to revenue volatility.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

ALASKA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	C	B
Deferring Recurring Expenditures	✗	✗	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE C | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	67%	68%	68%

3-YEAR AVERAGE B | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

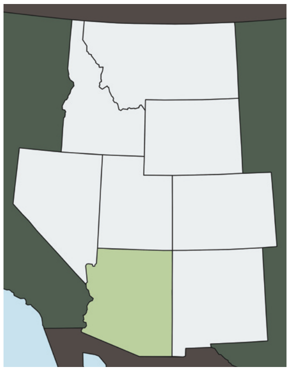
KEY

✓	Followed best practice
✗	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; 2018 data also used for 2019.

ARIZONA Budget Report Card



WHEN ARIZONA'S REAL PERSONAL income growth exceeds its seven-year average in a given calendar year, excess revenues generated by the expansion help determine how much money should be transferred to the state's Budget Stabilization Fund. This linkage to revenue volatility, a key recommendation in the Volcker Alliance's recent working paper, *Rainy Day Fund Strategies: A Call to Action*, is a major reason Arizona is one of only eighteen states to receive a top average grade of A for 2017 through 2019 in the reserve funds category. The state also features strong policies governing rainy day fund use and replenishment.

In contrast, Arizona posted a D average, the second-lowest mark possible, in the legacy costs category, which includes public worker pensions and retirement health care. Its pension funding level was 64 percent in 2018, about 6 percentage points below the total for all states.

Arizona averaged a C in budget maneuvers. One reason was the state's willingness to defer recurring expenditures to achieve budgetary balance, including pushing $930 million in budgeted general fund spending for school district payments to fiscal 2020 from fiscal 2019.

In the transparency category, Arizona averaged a B. Like all but five states, it did not disclose deferred infrastructure maintenance costs.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

ARIZONA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	C	C
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE C | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	63%	64%	64%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

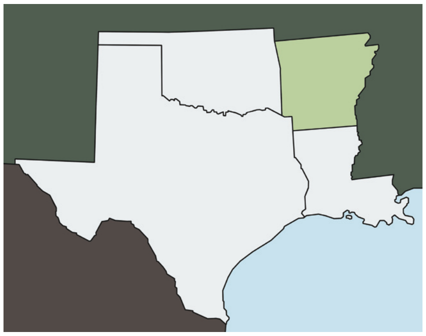
KEY

✓	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; 2018 data also used for 2019.

ARKANSAS Budget Report Card



ARKANSAS RAISED ITS BUDGET transparency grade to an average of C for fiscal 2017 through 2019, losing its position as the only state to receive a D average in the category for 2016–18. The move reflected the state's adoption of tax expenditure reports in 2018 and 2019. Seven other states also received Cs for transparency in the latest three-year period.

Arkansas lost ground in the budget maneuvers category, however, dropping to an average of B from an A in the previous period. The decline reflected a transfer in 2019 of $21.9 million from the rainy day fund to the Arkansas Department of Transportation so the agency would have sufficient matching funds to obtain $200 million in federal highway money. Using rainy day fund assets outside a fiscal crisis or natural disaster may present future challenges for the state as it lacks policies for replacing withdrawals—one of the best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. This lack of a rule for replenishing the rainy day fund contributed to Arkansas's receiving a C average in the reserve funds category. The state also lacks policies that link rainy day fund goals to historical revenue volatility.

In legacy costs, which include public worker pensions and other postemployment benefits (OPEB), principally health care, the state earned an average of C. Its pension plans were 81 percent funded as of 2018, about 11 percentage points above the total for all states. But Arkansas has set aside no funding for future OPEB obligations, instead meeting them on a pay-as-you-go basis.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

ARKANSAS Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	✓	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	76%	81%	81%

3-YEAR AVERAGE C | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
CATEGORY GRADE	C	C	C
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	X	X	X
Reserves Tied to Revenue Volatility	X	X	X

3-YEAR AVERAGE C | 3-YEAR TREND —

TRANSPARENCY

	2017	2018	2019
CATEGORY GRADE	D	C	C
Consolidated Budget Website	X	X	X
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	X	X	X
Discloses Tax Expenditures	X	✓	✓

3-YEAR AVERAGE C | 3-YEAR TREND ↗

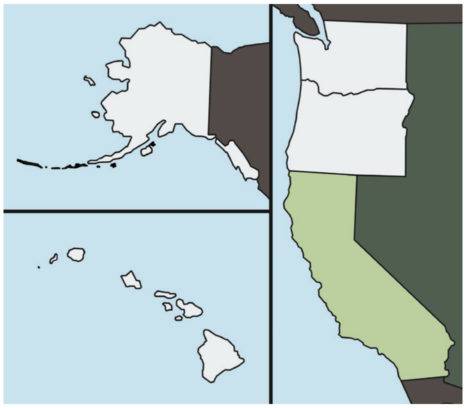
KEY

✓	Followed best practice
X	Did not follow best practice

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

* **SOURCE** Bloomberg; 2018 data also used for 2019.

CALIFORNIA Budget Report Card



AMERICA'S BIGGEST STATE economy earned top average A grades for 2017 through 2019 for a lack of budget maneuvers and strong rainy day fund and budgetary transparency policies. But California continues to be dogged by $247 billion in unfunded public worker pension obligations. The state's handling of this liability, along with its large unfunded liability for other postemployment benefits (OPEB), principally health care, reduced its average in legacy costs for the period to D-minus—making it one of only seven states to receive the lowest possible mark.

While the state made its full actuarial contributions for fiscal 2017 to 2019 to the state's public employee pension system, it did not do so for the pension for teachers. For example, the $7.7 billion in fiscal 2018 fell about 20 percent short of meeting the actuarially determined amount. California's total pension funding level dropped to 68 percent in 2018—2 percentage points below the total for all states—from 70 percent in 2016.

The state's OPEB liability was $86.5 billion in fiscal 2018, with its annual contributions meeting just 54 percent of the amount needed to reach full funding over thirty years.

California was one of only four states to score a three-year average of A in transparency. Like Alaska, Hawaii, and Tennessee, it earned the top grade by disclosing the estimated cost of deferred infrastructure maintenance in budget documents. Most recent estimates put California's liability at $67 billion. Additionally, each year's budget presents a five-year infrastructure plan that provides an extensive accounting of the state's infrastructure needs.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

CALIFORNIA Budget Report Card

BUDGET FORECASTING	2017	2018	2019
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	2017	2018	2019
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
	3-YEAR AVERAGE A		3-YEAR TREND —

LEGACY COSTS	2017	2018	2019
CATEGORY GRADE	D	D-	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✗	✗
Public Employee Pension Funded Ratio*	67%	68%	68%
	3-YEAR AVERAGE D-		3-YEAR TREND ↘

RESERVE FUNDS	2017	2018	2019
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	2017	2018	2019
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 —

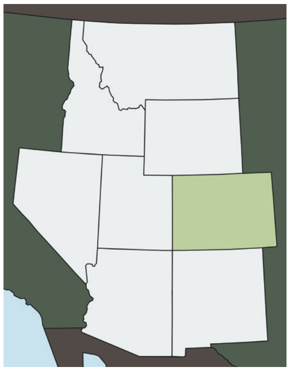
KEY

✓	Followed best practice
✗	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; 2018 data also used for 2019.

COLORADO Budget Report Card



THOUGH COLORADO LACKS an official rainy day fund, it still earned a B average in the reserve fund category for 2017 through 2019. That's because it maintains a statutorily required general fund balance that operates much like a rainy day fund, with policies for using and replenishing budgetary reserves.

The state increased its reserve balance to 7.25 percent of the general fund in fiscal 2019 from 6.5 percent the year before. The move raised the reserve 20 percent in fiscal 2019, to $813.3 million.

Colorado also posted a B average in budget maneuvers, up from C in the previous three-year period, as it cut back on one-time measures to balance budgets. In fiscal 2019, for example, the state avoided a practice it had followed in the previous two years: transferring cash to the general fund from special funds to pay for recurring expenditures. Colorado's reduced use of such budgetary measures, which can threaten a state's fiscal sustainability, resulted in a rise in its annual grade in the category, from C for fiscal 2017 to B in 2018 and a top A in 2019.

While Colorado performed well in budget maneuvers and reserve funds, it received a D average, the second-worst mark possible, in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. Colorado's annual pension funding has been below actuarial requirements for over fifteen years.

But substantial reforms made in 2018, including raising the retirement age and reducing cost of living increases, have already improved that picture. The state pension funding level rose to 59 percent in fiscal 2018 from 47 percent in fiscal 2017, 11 percentage points below the fifty-state total.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

COLORADO Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	B	A
Deferring Recurring Expenditures	✗	✓	✓
Revenue and Cost Shifting	✗	✗	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	47%	59%	59%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

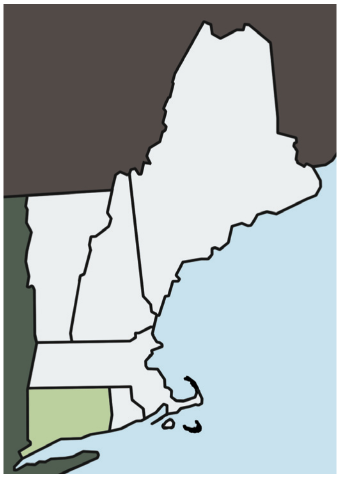
KEY

✓	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; 2018 data also used for 2019.

CONNECTICUT Budget Report Card



WITH THE FOURTH-WORST-FUNDED public worker pension among states, Connecticut could manage no better than a D average in legacy costs—which include other postemployment benefits (OPEB), principally health care—for 2017 through 2019.

Though the state has made its actuarially determined pension contributions in recent years, past shortfalls left the retirement system able to meet only 46 percent of its obligations in 2018, 24 percentage points below the total for all states. Connecticut's failure to make actuarially determined contributions for OPEB also factored into its poor legacy costs mark and may saddle it with increased costs in the future as retiree ranks grow.

The state fared slightly better in budget maneuvers, scoring a C average. The grade reflected a one-time budget shift of $400 million in federal reimbursements to fiscal 2019 from 2018.

In contrast, Connecticut received a top average of A for reserve funds after introducing historical revenue volatility into its rainy day fund calculations. The move, cited as a best practice in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*, resulted from legislation passed in 2017 and implemented in 2019. The policy shift was driven by swings in the state's revenues from capital gains tax compounded by steeply progressive income tax rates. Connecticut also performed well in budget forecasting, posting a three-year average of A.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	A	B
Maine	B	B	A	B	B
Massachusetts	C	C	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	B	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

CONNECTICUT Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	C	D
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	X	X
Using Asset Sales and Upfront Revenues	✓	✓	X

3-YEAR AVERAGE C | 3-YEAR TREND ↘

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	44%	46%	46%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
CATEGORY GRADE	B	A	A
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	X	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

TRANSPARENCY

	2017	2018	2019
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 —

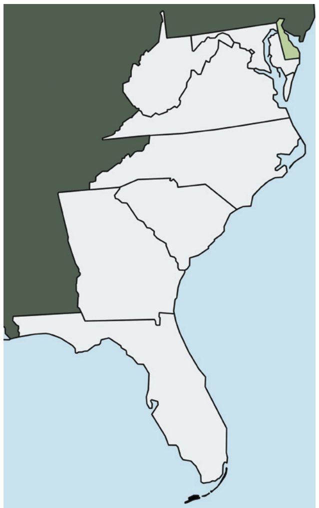
KEY

✓	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; 2018 data also used for 2019.

DELAWARE Budget Report Card



DELAWARE'S DECISION IN 2018 to release its first five-year general fund expenditure estimate helped the state raise its three-year average grade in budget forecasting to a top A for 2017 through 2019 from B in the previous three-year period. While Delaware had already produced long-term revenue estimates, it forecast expenditures for only one year before the change. Having long-term revenue and expenditure estimates makes it easier to plot budgets for several years.

The state received a C average in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. The public worker pension was 85 percent funded as of 2018, 15 percentage points above the total for all states. Delaware's grade was held down by OPEB underfunding. As of June 30, 2018, the state and other participating public employers had a net OPEB liability of $8.2 billion—almost twice the size of the general fund as of fiscal 2019.

Delaware scored a B average in reserve funds. While the size of its Budget Reserve Account lacks a tie to historical revenue volatility, state rainy day fund policies otherwise align with best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

DELAWARE Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
CATEGORY GRADE	B	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND ↗	

BUDGET MANEUVERS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	83%	85%	85%
3-YEAR AVERAGE C		3-YEAR TREND —	

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —	

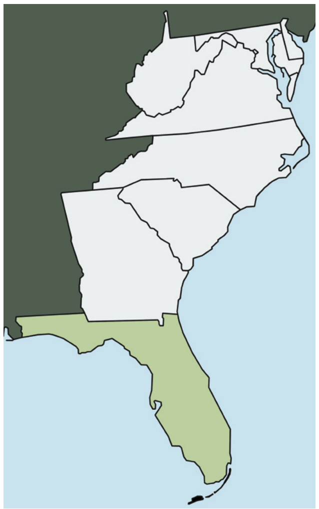
KEY

✓	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; 2018 data also used for 2019.

FLORIDA Budget Report Card



FLORIDA COULD BE DUBBED the Consistency State. From fiscal 2017 through 2019, as in the previous three years, its average grades remained the same in all five areas covered: a top A in budget forecasting; Bs in budget maneuvers, reserve funds, and transparency; and a C in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care.

The state is among only twelve to average an A in budget forecasting for the latest evaluation period. Florida has a consensus revenue estimating process that includes representatives of the governor, both legislative chambers, and the Office of Economic and Demographic Research. In addition, a 2006 constitutional amendment required the Joint Legislative Budget Commission to produce long-range financial projections, including critical needs, risks to forecast accuracy, and key budget drivers.

Florida's weakest grade was in management of legacy costs. Though pensions were 80 percent funded in 2018, 10 percentage points above the total for all states, the level was under the 90 percent needed to get full credit in our evaluation. The state also does not provide annual OPEB funding in line with actuaries' recommendations.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

FLORIDA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	79%	80%	80%

3-YEAR AVERAGE C | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

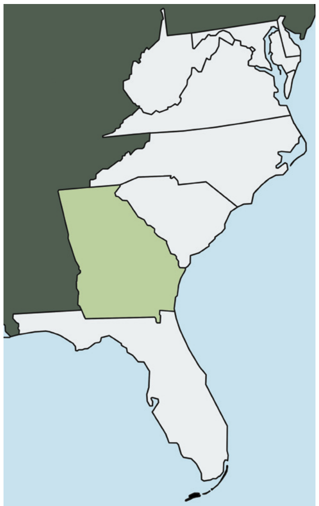
KEY

✓	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; 2018 data also used for 2019.

GEORGIA Budget Report Card



UNLIKE MANY STATES, Georgia has funded its public employee pensions in line with actuaries' recommendations for at least two decades. Its budgetary commitment to full funding helped the state average an A in legacy costs—which include pensions and other postemployment benefits (OPEB), principally health care—for fiscal 2017 through 2019.

Georgia's pensions were funded at about 80 percent of estimated obligations in 2018, 10 percentage points above the total for all states. The state's decision to start making full actuarially determined OPEB contributions also factored into its top mark in legacy costs; not doing so in 2016 had restricted its grade in the category to B for the previous three-year evaluation period.

In contrast to its performance in the legacy costs category, Georgia averaged a C in budget forecasting. The grade reflected the state's failure to use the consensus method for revenue forecasting. Instead, estimates come from the executive branch via the state economist, who works with the governor and the executive Office of Planning and Budget. In addition, the state does not provide a detailed rationale to support revenue growth projections in the budget.

Despite these shortcomings, Georgia estimates expenditures for four years beyond the current fiscal year—in contrast to many states that look ahead for no more than three years. Georgia's forecast also includes a brief narrative in the governor's budget report explaining the basis of the estimate.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

GEORGIA Budget Report Card

BUDGET FORECASTING	2017	2018	2019
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	2017	2018	2019
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
	3-YEAR AVERAGE A	3-YEAR TREND —	

LEGACY COSTS	2017	2018	2019
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	79%	80%	80%
	3-YEAR AVERAGE A	3-YEAR TREND —	

RESERVE FUNDS	2017	2018	2019
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	2017	2018	2019
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 —	

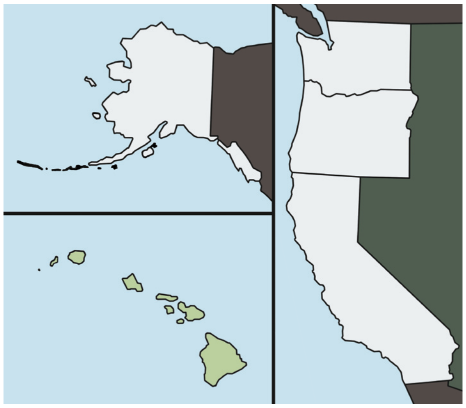
KEY

✓	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; 2018 data also used for 2019.

HAWAII Budget Report Card



HAWAII WAS THE ONLY STATE to earn an A average in four out of five budget practice categories evaluated for fiscal 2017 through 2019. The one miss was a glaring contrast to its four top grades: In legacy costs, Hawaii averaged a D-minus—the lowest possible score—for failing to adequately fund public worker retirement plans.

In transparency, Hawaii along with Tennessee, California, and Alaska stood apart from other states in revealing the cost of deferred infrastructure maintenance. This information appears in Hawaii's supplemental budget, which includes such costs for each fiscal year. The estimates include about $500 million for roads.

Hawaii's top mark in reserve funds stemmed from policies that parallel best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. It was one of only twenty-one states to use historical revenue volatility to estimate the appropriate amount to set aside in its Emergency and Budget Reserve Fund—a move critical to achieving its A average.

Hawaii's A average in budget maneuvers reflected an improvement in its annual marks after the state notched a B in fiscal 2017 for using a one-time transfer from budget reserves to cover recurring expenditures. It avoided that budget-balancing practice in 2018 and 2019.

The D-minus average in legacy costs, which include pensions and other postemployment benefits (OPEB), principally health care, reflected the state's pension funding level of 55 percent in 2018, 15 percentage points below the total for all states. Hawaii did raise its annual grade to D in 2019, after the legislature decided to fund OPEB in line with actuarial recommendations.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

HAWAII Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D-	D-	D
Public Employee OPEB Funding	X	X	✓
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	55%	55%	55%

3-YEAR AVERAGE D- | 3-YEAR TREND ↗

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✓	✓	✓
Discloses Tax Expenditures	X	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

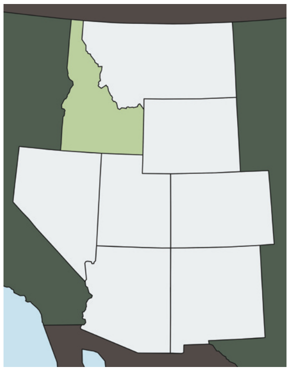
KEY

✓	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; 2018 data also used for 2019.

IDAHO Budget Report Card



IDAHO WON TOP A AVERAGES in budget maneuvers, reserve funds, and legacy costs for fiscal 2017 through 2019, enhancing its reputation for conservative budgeting practices. The state fell far short in one area, however, with a D average in budget forecasting. Only four states fared worse in the category.

Idaho's low forecasting grade began with its failure to use consensus revenue estimates. Instead of estimates assembled jointly by the executive and legislative branches, revenue projections are based on the *Idaho Economic Forecast*, published quarterly by the Division of Financial Management, a unit of the governor's office. The state also lacks multiyear forecasts of revenues or expenditures.

Idaho's strong reserves afford it some protection against the fiscal risks of a short-term estimate. Its reserve policies parallel best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. In addition to its Budget Stabilization Fund, which is supported by laws detailing appropriate times for deposits and withdrawals, Idaho carries large year-end general fund balances. As a result, its $530 million in rainy day fund assets—equivalent to about 14 percent of general fund revenues—were augmented by an estimated general fund balance of $121.9 million at the end of fiscal 2019. The state also ties rainy day fund deposits to historical revenue volatility and ensures that revenue growth in excess of 4 percent annually goes into the rainy day fund.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

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IDAHO Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
	3-YEAR AVERAGE A		3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	91%	92%	92%
	3-YEAR AVERAGE A		3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

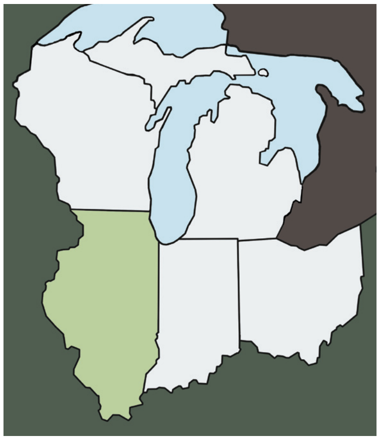
KEY

✓	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; 2018 data also used for 2019.

ILLINOIS Budget Report Card



THOUGH ILLINOIS REGROUPED after not being able to pass budgets in 2016 and 2017, enacting spending plans in the following years, the state continued to fare poorly in most budgetary categories evaluated by the Volcker Alliance.

For fiscal 2017 through 2019, Illinois received a D-minus average, the lowest possible grade, in budget maneuvers—the use of one-time revenues to achieve balance. For example, Illinois added to the 2019 budget $300 million in assumed proceeds from the proposed sale of the seventeen-story James R. Thompson Center, a state office building in Chicago. It included the same assumed sale and revenue figure in the 2018 budget, but a transaction never took place, leaving the state with a hole to fill. Illinois also continued its practice of deferring scheduled expenditures to balance budgets: As of October 2018, the state comptroller estimated a backlog of $7.2 billion in unpaid vendor bills.

With the states' second-poorest-funded public worker pension system (only Kentucky's is worse), Illinois received a D-minus average in legacy costs, which cover pensions and other postemployment benefits (OPEB), principally health care. In 2018, Illinois pensions were funded at only 39 percent of estimated obligations—31 percentage points below the total for all states.

In contrast to its basement-dwelling budget maneuvers and legacy costs grades, Illinois earned a B average in transparency. A main driver of the score was its inclusion in the 2019 budget and other documents of cost estimates of deferred infrastructure maintenance, which exceed $26 billion for state buildings, universities, roads, bridges, and local K–12 schools. Publication of the data helped Illinois score a top A annual grade for transparency in 2019. Only four other states—Alaska, California, Hawaii, and Tennessee—provide similar reports.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017-19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

ILLINOIS Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
CATEGORY GRADE	D-	B	B
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✗	✓	✓
Multiyear Revenue Forecasts	✗	✓	✓
Revenue Growth Projections	✗	✓	✓
	3-YEAR AVERAGE C		3-YEAR TREND ↗

BUDGET MANEUVERS

	2017	2018	2019
CATEGORY GRADE	D	D-	D-
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✗	✗	✗
Using Asset Sales and Upfront Revenues	✓	✗	✗
	3-YEAR AVERAGE D-		3-YEAR TREND ↘

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D-	D-	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	38%	39%	39%
	3-YEAR AVERAGE D-		3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	B	A
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✓
Discloses Tax Expenditures	✓	✓	✓
	3-YEAR AVERAGE B		3-YEAR TREND ↗

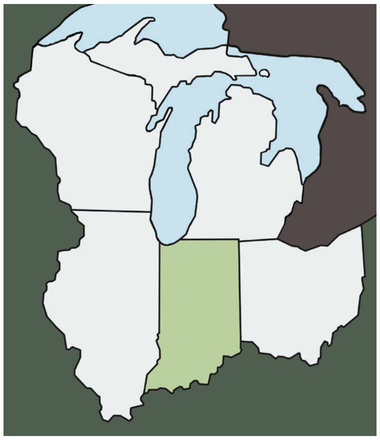
KEY

✓	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; 2018 data also used for 2019.

INDIANA Budget Report Card



INDIANA EARNED AN AVERAGE of B in transparency for 2017 through 2019, up from a C in the previous assessment. The improvement stemmed from its resumption in 2018 of disclosure of its tax expenditures, such as credits, exemptions, and other types of breaks. The state's comprehensive report describes specific tax expenditures, gives their legislative basis, and estimates their use in fiscal 2018–21. Indiana's one remaining shortcoming in transparency was an absence of deferred infrastructure maintenance costs.

Its avoidance of budget maneuvers—one-time actions—to achieve balance earned Indiana an A average in the category, though the state averaged only a C in budget forecasting. It does not develop multiyear revenue forecasts of at least three years in its budget documents but releases estimates covering only the remainder of the current fiscal year and the upcoming biennium. Indiana also fails to provide multiyear expenditure estimates.

The state's A average in reserve funds reflects its use of volatility measures in setting rainy day fund targets. Contributions are tied to personal income tax growth under a law that requires money to be set aside when personal income grows more than 2 percent from the previous year. This and other Indiana rainy day fund policies follow best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

INDIANA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✗	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	65%	67%	67%

3-YEAR AVERAGE B | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↗

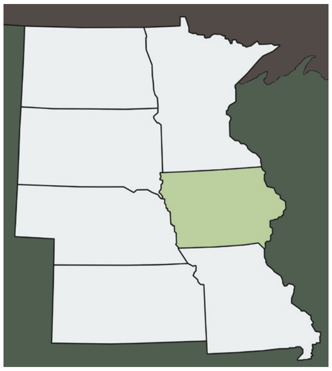
KEY

✓	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; 2018 data also used for 2019.

IOWA Budget Report Card



IOWA WAS ONE OF ONLY SIX STATES to earn top A averages in legacy costs and budget maneuvers for fiscal 2017 through 2019.

In legacy costs, which include public worker pensions and other postemployment benefits (OPEB), mainly health care, Iowa funded 84 percent of pension obligations in 2018, 14 percentage points above the total for all states. It provides annual contributions to its three pension plans in line with actuarial recommendations and even exceeded that amount in fiscal 2018. Iowa's OPEB liability was too small to play a role in its legacy costs grade.

The state received the budget maneuvers grade despite a revenue shortfall in 2017 that led to a transfer of $25.1 million into the general fund from other funds. Iowa received a B average in reserve funds. With $762.1 million put away in its two rainy day funds and clear policies for both use and replenishment of that money, it adhered to most of the best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. The state missed getting an A because it does not consider revenue volatility in establishing goals for its reserve funds. The state's lowest average was a C in budget forecasting. Iowa earned credit for using consensus revenue estimates. It failed to provide details to support growth projections and did not disclose a long-term revenue estimate covering more than two years.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

IOWA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	82%	84%	84%

3-YEAR AVERAGE A | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

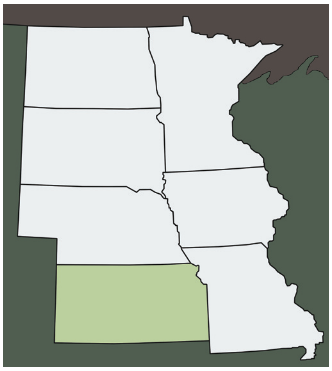
KEY

✓	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; 2018 data also used for 2019.

KANSAS Budget Report Card



ALTHOUGH LEGISLATORS ESTABLISHED Kansas's rainy day fund in 2016, a lack of deposits helped earn the state a D average in reserve funds for 2017 through 2019. Only one other state—Illinois—averaged a D, the second-lowest mark possible. Until enactment of its rainy day fund law, Kansas deposited surplus revenues into the general fund, which had a $447 million balance at the beginning of 2019, according to that year's *Comparison Report*, which shows legislative adjustments to the governor's budget. The first rainy day fund deposit, originally slated for 2017, has been delayed several times, with 2018 legislation moving the first regular deposit from 2019 to 2021. Kansas also has failed to link its rainy day fund policies to historical revenue volatility or establish rules for disbursement or replenishment.

In budget maneuvers, the state's three-year average rose to C from D in the previous evaluation, reflecting less reliance on one-time revenue from asset sales to balance the budget. While the fiscal 2017 revised budget included a $25 million revenue transfer to the state general fund from the sale of Kansas Bioscience Authority assets, the state's consensus revenue forecast estimated no asset sales in the following two years.

The state's D average in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care, was a result of its failure to make annual pension payments in line with actuarial recommendations. Pensions were 69 percent funded in 2018.

The one exception to Kansas's relatively low grades was a B in transparency. It does not disclose the cost of deferred infrastructure maintenance.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

KANSAS Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	D	C	C
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✗	✓	✓

3-YEAR AVERAGE C | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	67%	69%	69%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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; 2018 data also used for 2019.

KENTUCKY Budget Report Card

KENTUCKY'S AVERAGE GRADE in legacy costs rose to B for fiscal 2017 through 2019 from C for the previous three years. The average mark improved largely because the state made its full actuarially determined contributions for public worker pensions each year in the latest period. Though Kentucky's 2018 pension funding level of 44.9 percent was still about 25 percentage points below the all-state total, it was up from 31 percent in 2016. The state made its full annual contributions for other postemployment benefits, such as health care, in fiscal 2017 through 2019.

The state earned C averages in budget maneuvers and reserve funds. Its mark in the latter category reflects a lack of policies to guide the legislature on using rainy day fund assets. Kentucky is also one of twenty-nine states that fail to consider historical revenue volatility in establishing rainy day fund goals. Those two best practices are among those cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

Kentucky averaged a B in forecasting. Its single significant shortcoming was a lack of long-term expenditure estimates. The state provides such estimates for only two years and does not present a justification for the forecast. It forecasts revenues for three years, with that information contained in budget-planning documents rather than in the budget itself.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

KENTUCKY Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	C	C
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE C | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	34%	45%	45%

3-YEAR AVERAGE B | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

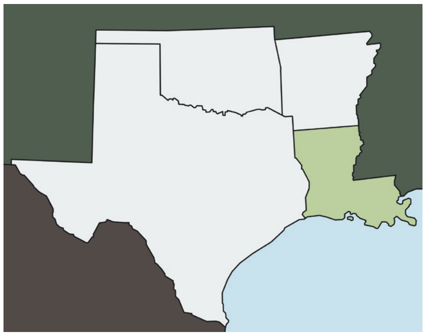
KEY

✓	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; 2018 data also used for 2019.

LOUISIANA Budget Report Card



LIKE OTHER STATES THAT DEPEND on volatile revenues from oil and natural gas production, Louisiana has solid reserve fund policies, similar to the best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. The state's fiscal buffer against revenue declines helped Louisiana earn a top A average for reserve funds in fiscal 2017 through 2019. Driving the grade was the state's link between rainy day fund deposits and historical revenue volatility, as well as rules governing fund disbursements. Reserves can be tapped only if the official revenue forecast for the current year is less than the previous year's receipts, or if a shortfall is projected.

In contrast to its mark for reserve funds, Louisiana received a D average, the second-lowest grade possible, in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), principally health care. The state's 68 percent pension funding level in 2018 was 2 percentage points below the total for all states. While it made its full actuarially determined contribution for public worker pensions, Louisiana failed to do the same for OPEB, which is funded on a pay-as-you-go basis.

Louisiana's C average in budget maneuvers stemmed from budget-balancing techniques that used one-time revenues to support recurring spending. The techniques included spending deferrals in fiscal 2018 and 2019 that pushed Medicaid payments into future years and the use of special funds in 2017 to cover general fund expenditures.

Louisiana scored a B average in budget forecasting and transparency. The transparency mark was held down by an absence of budgetary reporting of deferred infrastructure maintenance costs, a shortcoming shared by all but five states as of 2019.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

LOUISIANA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	D	B	B
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✓	✓
Funding Recurring Expenditures with Debt	✗	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE C | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	66%	68%	68%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

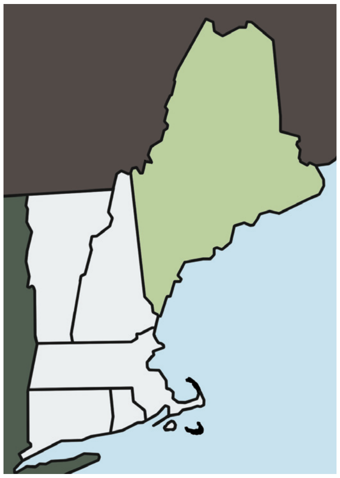
KEY

✓	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; 2018 data also used for 2019.

MAINE Budget Report Card



AMONG THE SIX NEW ENGLAND STATES, Maine was the only one to average a top A in legacy costs for fiscal 2017 through 2019, in large part because of its longtime practice of making at least its full actuarially determined contributions for public worker pensions and other postemployment benefits (OPEB) each year. Its pension was about 85 percent funded in 2018, almost 15 percentage points above the total for all states. In that year it also paid more than its actuarially determined contribution for OPEB, which covers health care costs.

Maine was one of only four states to earn no grade lower than a B average for 2017–19 in all five evaluated budgetary categories. The other three were Oklahoma, South Dakota, and West Virginia.

Maine's only significant shortcoming in budget maneuvers was its regular underfunding of aid for local schools. The state is obligated by statute to cover 55 percent of the cost of education for kindergarten through twelfth grade, but it committed to pay only 52 percent in 2019. The effect achieves budgetary balance by shifting costs to school districts, at least temporarily.

The state's singular flaw in transparency was not disclosing deferred infrastructure maintenance costs. Its B average in forecasting stemmed from a lack of multiyear expenditure estimates. Maine's expenditure forecasts cover only the next biennium, which falls short of our three-year minimum for full forecasting credit.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	A	B
Maine	B	B	A	B	B
Massachusetts	C	C	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	B	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

MAINE Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	82%	85%	85%

3-YEAR AVERAGE A | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

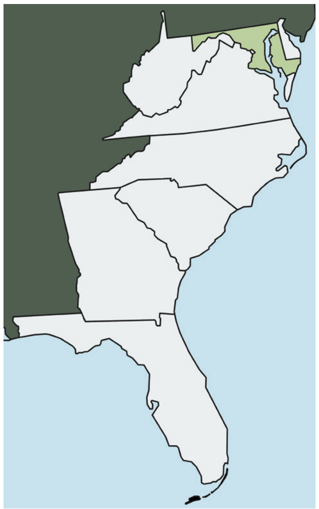
KEY

✓	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; 2018 data also used for 2019.

MARYLAND Budget Report Card



MARYLAND AVERAGED AN A in budget forecasting for 2017 through 2019, earning the top mark for using long-term revenue and expenditure estimates and consensus forecasting. Yet it fell far short during the period in the other four categories evaluated.

The state averaged a C in budget maneuvers, although its annual grade dropped to D in fiscal 2018 after an estimate of lower gaming revenues led Maryland to use bond premiums—a form of upfront revenue on financial transactions—to offset a $23.6 million appropriation for debt service. The state also deferred Medicaid spending and used a bond refinancing to lower debt service costs for the following three years. In addition, in fiscal 2018 and 2019, Maryland used annual surpluses to help support recurring general fund expenditures.

It received a B average in legacy costs. Maryland has made annual contributions for public worker pensions in line with actuarial recommendations since 2016, and its pension funding level rose from 65 percent that year to 70 percent in 2018, matching the total for all states. While annual funding of other postemployment benefits (OPEB), principally health care, met the actuarially determined annual amount in 2018 and 2019, it did not in the previous year.

Maryland's C average in reserve funds for the latest period was the lowest of the eight states in the South Atlantic region. Six earned Bs, while Virginia posted an A. Maryland fails to tie its reserve fund levels to volatility and lacks effective policies for fund disbursements.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

MARYLAND Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	D	C
Deferring Recurring Expenditures	✓	X	X
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	X	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE C | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	A	A
Public Employee OPEB Funding	X	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	69%	70%	70%

3-YEAR AVERAGE B | 3-YEAR TREND ↗

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

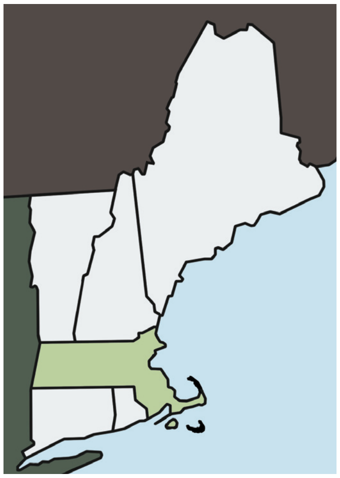
KEY

✓	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; 2018 data also used for 2019.

MASSACHUSETTS Budget Report Card



AS RECENTLY AS 2017, Massachusetts relied heavily on one-time measures to balance budgets, including the tapping of special funds to meet general expenses and the deferring of payments for MassHealth, the state's Medicaid and children's health insurance program. It received a D, the second-lowest grade available, in budget maneuvers that year. But stronger tax collections enabled the state to reduce its use of such techniques, helping it earn a C average in the category for 2017 through 2019. Even so, Massachusetts continued to push school costs onto local governments while using special funds and proceeds from the Tobacco Master Settlement Agreement to cover general fund spending needs.

Massachusetts fared more poorly in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. It was one of only seven states averaging a D-minus, the lowest grade possible. Its $94 billion in pension liabilities are the tenth highest in the country and are funded at about 61 percent, 9 percentage points below the total for all states. Its annual funding of pensions and OPEB also fell short of the amounts that actuaries deemed necessary to move toward full funding.

Massachusetts was one of eighteen states to receive a top A average in reserve funds. According to the National Association of State Budget Officers, the state put aside almost $2.6 billion, or 5.7 percent of general fund expenditures, in 2019. Its policies are in line with best practices cited in the Volcker Alliance's recent working paper, *Rainy Day Fund Strategies: A Call to Action*, with funding tied to revenue volatility, surpluses used for replenishment, and the reasons for fund disbursements clearly delineated.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	A	B
Maine	B	B	A	B	B
Massachusetts	C	C	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	B	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

MASSACHUSETTS Budget Report Card

BUDGET FORECASTING	2017	2018	2019
CATEGORY GRADE	C	C	C
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	X	X	X
Multiyear Revenue Forecasts	X	X	X
Revenue Growth Projections	✓	✓	✓
	3-YEAR AVERAGE C		3-YEAR TREND —

BUDGET MANEUVERS	2017	2018	2019
CATEGORY GRADE	D	C	C
Deferring Recurring Expenditures	X	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	X
Using Asset Sales and Upfront Revenues	X	X	✓
	3-YEAR AVERAGE C		3-YEAR TREND ↗

LEGACY COSTS	2017	2018	2019
CATEGORY GRADE	D-	D-	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	60%	61%	61%
	3-YEAR AVERAGE D-		3-YEAR TREND —

RESERVE FUNDS	2017	2018	2019
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	2017	2018	2019
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 —

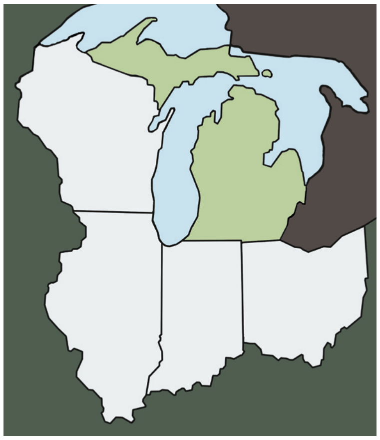
KEY

✓	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; 2018 data also used for 2019.

MICHIGAN Budget Report Card



MICHIGAN STANDS OUT among the five states in the East North Central region for its absence of budget maneuvers: Its three-year top A average in the category for fiscal 2017 through 2019 was matched only by Indiana. During the three years, Michigan did not defer expenditures, accelerate revenues, fund recurring spending with debt, or use other mechanisms, such as asset sales, to maintain budgetary balance.

In budget forecasting, Michigan's B average was the region's highest. The state used a consensus revenue estimating process, provided information to back up projections of revenue growth, and relied on long-term revenue forecasts that looked three years into the future. Its average B in transparency was held down by Michigan's absence of budgetary reporting on deferred infrastructure maintenance costs.

The state received a C average, its lowest grade, in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. Its pensions were 63 percent funded in 2018, 7 percentage points below the total for all states. Michigan made the full actuarially determined contributions for pensions throughout the evaluation period but not for OPEB. The state's 2018 comprehensive annual financial reports showed contributions below actuarially determined amounts in three of its four OPEB plans.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

MICHIGAN Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
	3-YEAR AVERAGE A		3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	B	D	D
Public Employee OPEB Funding	✓	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	65%	63%	63%
	3-YEAR AVERAGE C		3-YEAR TREND ↘

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

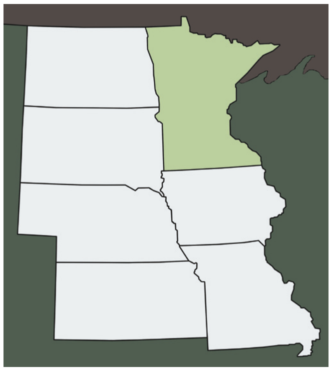
KEY

✓	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; 2018 data also used for 2019.

MINNESOTA Budget Report Card



IN 2018 MINNESOTA ENACTED a reform measure that included a commitment to increase annual contributions by the state, other participating employers, and employees to help address its $16.2 billion unfunded pension liability. As part of the deal, retired teachers and local government employees accepted benefit cuts. The legislation immediately eliminated $3.4 billion of future debt and put the state on track to have fully funded pensions in thirty years.

The measure helped Minnesota raise its annual legacy cost grades to C in 2018 and 2019 from D, the second-lowest grade possible, in 2017 (legacy costs include public worker pensions and OPEB, or other postemployment benefits, principally health care). Meanwhile, the state's pension funding rose to about 82 percent in 2018 from 63 percent the year before and stood at about 12 percentage points above the total for all states.

Minnesota averaged top As in budget maneuvers and reserve funds. It is one of twenty-one states linking rainy day funds to revenue volatility, a technique cited as a best practice in the Volcker Alliance's recent working paper, *Rainy Day Fund Strategies: A Call to Action*.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

MINNESOTA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	C	C
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	63%	82%	82%

3-YEAR AVERAGE C | 3-YEAR TREND ↗

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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; 2018 data also used for 2019.

MISSISSIPPI Budget Report Card

MISSISSIPPI IMPROVED ITS AVERAGE in budget maneuvers to a top A for 2017 through 2019 from a B in the previous three-year period. The state posted an A in the category in both 2018 and 2019 after it stopped making transfers to the general fund to balance the budget.

The state's lowest average was a C in budget forecasting. Though Mississippi produces monthly revenue reports, the state's budget documents fail to include revenue forecasts that extend three years beyond the current one. The same is true for expenditures: Mississippi bases the following year's estimated appropriations on the previous one's actual outlays.

Mississippi averaged Bs in reserve funds and legacy costs. Though its pension liabilities were 63 percent funded in 2018—7 percentage points below the total for all states—Mississippi has contributed more than actuaries' recommendations to retirement plans every year since 2015. The state's other postemployment benefits (OPEB), mostly health care, are sufficiently small that they did not play a role in its grade in the category.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

MISSISSIPPI Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	61%	63%	63%

3-YEAR AVERAGE B | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

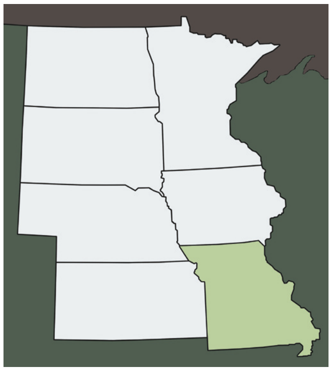
KEY

✓	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; 2018 data also used for 2019.

MISSOURI Budget Report Card



MISSOURI AVERAGED D-MINUS, the lowest possible grade, in budget forecasting for fiscal 2017 through 2019. But it managed to improve slightly in the category in the last year by adopting a consensus revenue estimate after shunning such a forecast in the two previous years.

Consensus estimates attempt to avoid politically driven predictions by considering inputs from the executive and legislative branches, as well as outside experts. In the three-year period, executive and legislative staffs, along with representatives of the University of Missouri, produced revenue estimates together. But in 2017 and 2018, the governor and legislature did not officially accept the panel's numbers. That lost the state credit for consensus revenue estimating in those years, which resulted in annual D-minus grades for budget forecasting. The governor and legislature concurred on the consensus figure in 2019, helping to lift the state's annual mark in the category to a D, but the uptick was not enough to change the overall grade. Missouri continued to avoid producing multiyear estimates for revenues or expenditures and was one of only eight states that failed to provide a rationale for its projections of revenue growth.

Missouri averaged a C in budget transparency. It did not produce a tax expenditure report as part of the budgeting process or disclose deferred infrastructure maintenance costs, a common shortcoming among states.

The state earned its highest grade, a top A average, in budget maneuvers because of its avoidance of one-time revenue measures to achieve budgetary balance. In reserve funds, Missouri averaged a B.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

MISSOURI Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	A	A	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↘

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	78%	78%	78%

3-YEAR AVERAGE C | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

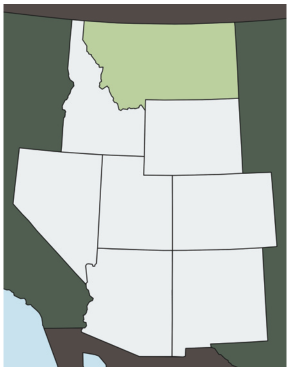
KEY

✓	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; 2018 data also used for 2019.

MONTANA Budget Report Card



STATES THAT DEPEND ON REVENUES from natural resource production generally maintain healthy rainy day funds to help compensate for their economies' vulnerability to volatile commodity prices. Yet until a few years ago, Montana, a major producer of coal, oil, and natural gas, did not have a formal rainy day fund and instead relied on general fund balances in its place. That changed in 2018, when the state began depositing money into the newly created Budget Stabilization Reserve Fund. Montana's mark in reserve funds reflects this shift, which helped the state earn a B average in the category for fiscal 2017 through 2019, up from C for the previous three-year period.

Montana's new rainy day fund policies adhere closely to best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. Like twenty other states, it ties rainy day funding to historical revenue volatility, requiring that half of revenues above its annual estimate, plus $15 million, go into the stabilization reserve. In 2021, the volatility formula will change; the fund will receive half of any revenues in excess of the average for the past six years.

In contrast to its improving reserve funds grade, Montana averaged only a D in budget forecasting—the second-lowest mark possible. The state does not provide multiyear revenue or expenditure forecasts, and it lacks a consensus revenue estimating process. It did relatively well in avoiding one-time revenue measures, however, posting a B average in budget maneuvers.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

MONTANA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	73%	73%	73%

3-YEAR AVERAGE C | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
CATEGORY GRADE	D	A	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

	2017	2018	2019
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 —

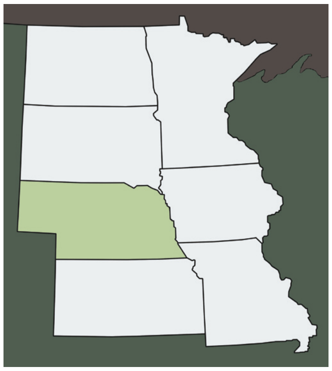
KEY

✓	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; 2018 data also used for 2019.

NEBRASKA Budget Report Card



NEBRASKA'S STRING OF HIGH AVERAGE grades for fiscal 2017 through 2019—two As and two Bs—was broken only by a C in reserve funds.

While forty-three states had rules to guide the disbursement of rainy day funds during the evaluation period, Nebraska did not. It also failed to link its Cash Reserve Fund balances or contributions to historical revenue volatility. These policies were among best practices that a recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*, urged states to adopt.

One of Nebraska's A averages was in budget forecasting. The Nebraska Economic Forecasting Advisory Board provides the state's consensus revenue estimates. The board's nine members, who are appointed by the unicameral legislature and the governor, must have expertise in economics or tax policy. The board meets at least twice annually to consider revenue estimates provided by the executive branch's Revenue Department and the legislature's Fiscal Office. Nebraska's revenue and expenditure forecasts cover four years, one year more than the Alliance's minimum standard for grade credit.

The state also averaged an A in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. For 2017–19, Nebraska exceeded the actuarially determined contribution to its pension system; it was one of only seven states with pensions funded at 90 percent or higher as of 2018. Its OPEB plan was too small to play a role in its category grade.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

NEBRASKA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
CATEGORY GRADE	B	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

BUDGET MANEUVERS

	2017	2018	2019
CATEGORY GRADE	A	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↘

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	90%	90%	90%

3-YEAR AVERAGE A | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

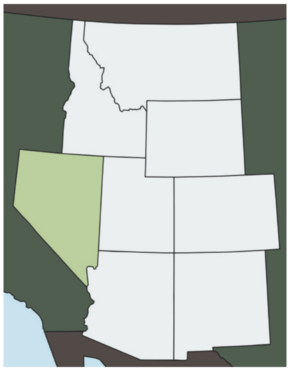
KEY

✓	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; 2018 data also used for 2019.

NEVADA Budget Report Card



NEVADA RECEIVED AN AVERAGE GRADE of C for budget forecasting for fiscal 2017 through 2019—despite its use of consensus revenue estimation, a best practice it shares with twenty-eight other states. With its heavy reliance on volatile revenues from tourism, gambling, and mining making it difficult to estimate tax collections, Nevada casts a wide net to estimate revenues, ensuring that its forecasts include input from the Economic Forum, a panel made up of five private sector experts in economics, taxation, and other disciplines appointed by the governor, Senate majority leader, and House speaker. The strong process in consensus revenue estimating was not able to overcome Nevada's lack of long-term forecasting, however: The state's average grade was hurt by its practice of confining forecasts to the biennial budget rather than for at least three years.

The state earned B averages in budget maneuvers, reserve funds, and transparency. Like all but five other states, Nevada's transparency grade suffered from a failure to provide deferred infrastructure maintenance costs in its budgetary reports. In handling reserves, Nevada is one of twenty-nine states that did not link rainy day funds to historical revenue volatility, a best practice cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

Nevada averaged a C in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. The state has made at least full actuarially determined contributions for pensions since 2016—they were 75 percent funded as of 2018, 5 percentage points above the total for all states—but it has not made similar OPEB contributions.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

NEVADA Budget Report Card

BUDGET FORECASTING	2017	2018	2019
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	2017	2018	2019
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
	3-YEAR AVERAGE B	3-YEAR TREND —	

LEGACY COSTS	2017	2018	2019
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	74%	75%	75%
	3-YEAR AVERAGE C	3-YEAR TREND —	

RESERVE FUNDS	2017	2018	2019
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	2017	2018	2019
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 —	

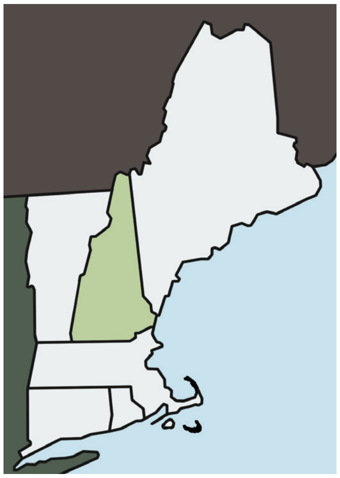
KEY

✓	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; 2018 data also used for 2019.

NEW HAMPSHIRE Budget Report Card



NEW HAMPSHIRE POSTED a D-minus average for budget forecasting for fiscal 2017 through 2019—joining Alabama, Missouri, and North Dakota as the four states to receive the lowest possible mark in the category. New Hampshire failed to provide a rationale to support revenue growth projections at the time of the initial budget for 2018 or 2019. It also eschewed consensus revenue forecasts, and it did not furnish multiyear revenue and expenditure projections.

The state also ranked near the bottom in legacy costs, averaging a D, the second-lowest grade possible. Its public worker pension has 65 percent of the assets needed to meet liabilities, 5 percentage points below the total for all states. Adding to New Hampshire's poor showing in the category was its $2 billion in liabilities for other postemployment benefits (OPEB), principally health care, as of 2018. That compares with the state's estimated general fund revenues of $1.57 billion in 2019.

New Hampshire averaged an A in budget maneuvers by largely avoiding one-time revenue measures. Vermont is the only other New England state to rank at the top of this category. The state posted B averages for reserve funds and transparency. The latter score was held down by New Hampshire's absence of budgetary reporting of deferred infrastructure maintenance costs.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	A	B
Maine	B	B	A	B	B
Massachusetts	C	C	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	B	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

NEW HAMPSHIRE Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	A	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✗	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	63%	65%	65%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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; 2018 data also used for 2019.

NEW JERSEY Budget Report Card

WITH THE WORST-FUNDED state pension system and a long history of failing to make actuarially determined contributions to help shore it up, New Jersey landed a D-minus for legacy costs in fiscal 2017 through 2019. It was one of only seven states to receive the worst possible grade in the category, which includes public worker pensions and other postemployment benefits (OPEB), principally health care.

While New Jersey has been increasing appropriations for pensions, its fiscal 2019 budget appropriated only 60 percent of the actuarially determined amount—far short of the annual sum needed to achieve full funding over time. According to data compiled by Bloomberg, the state's unfunded pension liability was equivalent to $14,515 per person in 2018, almost a third more than the per capita liability in Illinois, which has the second-worst-funded state pension. A lack of actuarially recommended contributions also left New Jersey with an unfunded OPEB obligation of $90 billion in 2018.

Dependent on one-time actions to balance budgets, New Jersey scored nearly as poorly in budget maneuvers as in legacy costs, netting a D average for the three-year period. The state showed some improvement in 2019 as it avoided the use of debt to cover operating costs and did not defer recurring expenditures. But balancing the budget still required an estimated $200 million in one-time funds generated by a tax amnesty program and additional transfers from special funds, including about $130 million from the Clean Energy Fund.

The state's best scores were B averages in reserve funds and transparency.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

NEW JERSEY Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	D	D	C
Deferring Recurring Expenditures	✗	✗	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✗	✓	✓
Using Asset Sales and Upfront Revenues	✓	✗	✗

3-YEAR AVERAGE D | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D-	D-	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	36%	38%	38%

3-YEAR AVERAGE D- | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

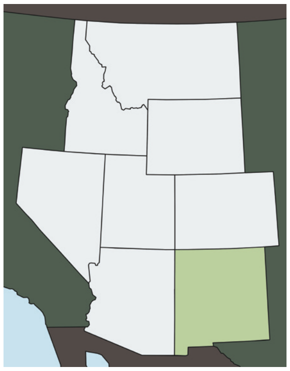
KEY

✓	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; 2018 data also used for 2019.

NEW MEXICO Budget Report Card



NEW MEXICO RECEIVED AN AVERAGE GRADE OF C in budget maneuvers for fiscal 2017 through 2019, but that low grade fails to fully reflect the state's decreased dependence on one-time measures to balance budgets toward the end of the evaluation period. In fiscal 2019, New Mexico stopped using debt to pay for recurring expenditures. It also halted the use of nonrecurring revenue and fund sweeps to help achieve balance. As a result, its annual grade in budget maneuvers rose to a B from a D for the previous two years.

The state scored a B average in reserve funds and set the stage for possible improvement. In 2019, it began tying Tax Stabilization Reserve deposits to historical revenue volatility, a best practice cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

To help protect itself against swings in petroleum levies, New Mexico will now divert to the reserve a portion of general fund revenues generated by the Oil and Gas Emergency School Tax when its receipts exceed their five-year average.

New Mexico received a C average in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. In fiscal 2018 and 2019, it began funding its annual OPEB contributions in line with actuarial calculations, as it did in 2017 through 2019 for pensions. Pension liabilities were 61 percent funded in 2018, 9 percentage points less than the total for all states.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

NEW MEXICO Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	D	D	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✗	✗	✓
Using Asset Sales and Upfront Revenues	✗	✗	✓

3-YEAR AVERAGE C | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	B	B
Public Employee OPEB Funding	✗	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	63%	61%	61%

3-YEAR AVERAGE C | 3-YEAR TREND ↗

RESERVE FUNDS

	2017	2018	2019
CATEGORY GRADE	B	B	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

	2017	2018	2019
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 —

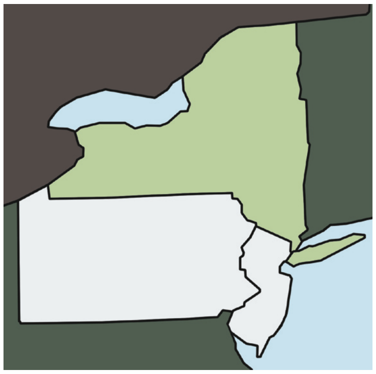
KEY

✓	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; 2018 data also used for 2019.

NEW YORK Budget Report Card



NEW YORK'S AVERAGE in budget maneuvers for fiscal 2017 through 2019 fell to a D-minus, the lowest possible grade, from D in the previous period as the state deferred recurring spending to achieve balance. In fiscal 2019, for example, New York delayed $42 million in scheduled Medicaid reimbursements. The move followed the deferral of an annual loan repayment to the New York Power Authority and extension of the loan term through 2023, which was estimated to save the state $193 million in fiscal 2018.

The state's other budget maneuvers in the evaluation period included revenue and cost shifting, funding current expenditures with debt, and relying on the proposed sale of an asset to help balance the budget.

New York performed better in legacy costs, in which it averaged a B. Its pensions were 98 percent funded in 2018, the third-best level among states, after Wisconsin and South Dakota. It missed a top A in the category because it funds its other postemployment benefits (OPEB), principally health care, on a pay-as-you-go basis. That strategy left New York with an unfunded OPEB liability of $90.5 billion in fiscal 2018.

Its highest average was an A in budget forecasting. New York statutes require a three-year financial projection that includes receipts and disbursements. The projections provide explanations of the assumptions used and information about forecasts based on altered level of service.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

NEW YORK Budget Report Card

BUDGET FORECASTING	2017	2018	2019
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	2017	2018	2019
CATEGORY GRADE	D	D-	D-
Deferring Recurring Expenditures	✓	X	X
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	X	X
Using Asset Sales and Upfront Revenues	X	X	X
	3-YEAR AVERAGE D-	3-YEAR TREND ↘	

LEGACY COSTS	2017	2018	2019
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	95%	98%	98%
	3-YEAR AVERAGE B	3-YEAR TREND —	

RESERVE FUNDS	2017	2018	2019
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	2017	2018	2019
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 —	

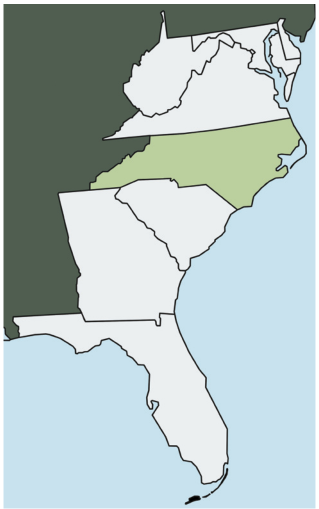
KEY

✓	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; 2018 data also used for 2019.

NORTH CAROLINA Budget Report Card



NORTH CAROLINA'S B AVERAGE in reserve funds for 2017 through 2019 was bolstered by two major policy improvements. The first was adoption in 2018 of a link between historical revenue volatility and the state's goals for its reserves, a best practice cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. The state now must deposit into the Savings Reserve Account 15 percent of each fiscal year's estimated growth in state tax revenues. Annual evaluations of North Carolina's revenue structure and economic volatility are used to adjust the account's cap. The state also established clear rules specifying when the reserve can be tapped.

North Carolina averaged a B in budget maneuvers, which tracks the use of one-time measures to achieve balance. The grade reflected the state's use of money from special funds, including transfers from the Department of Insurance to the general fund.

The state's lowest average was a C in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. North Carolina regularly provides the annual actuarially determined contribution for pensions, which were about 89 percent funded in 2018, about 19 percentage points above the total for all states. But it does not make such contributions for OPEB. For example, in fiscal 2017, the state contributed only 35 percent of the $2.73 billion that actuaries determined was needed to achieve full funding over time.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

NORTH CAROLINA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	A	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↘

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	B	C	C
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	91%	89%	89%

3-YEAR AVERAGE C | 3-YEAR TREND ↘

RESERVE FUNDS

	2017	2018	2019
CATEGORY GRADE	C	A	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

	2017	2018	2019
CATEGORY GRADE	B	B	B
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND —

KEY

✓	Followed best practice
✗	Did not follow best practice

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

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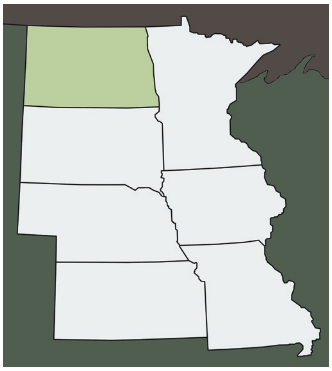
NORTH DAKOTA Budget Report Card



NORTH DAKOTA JOINED ALABAMA, Missouri, and New Hampshire in posting a D-minus average for budget forecasting, the lowest possible mark, for fiscal 2017 through 2019. It failed to use consensus revenue estimating and did not provide multiyear forecasts for revenues or expenditures beyond the two-year budget. North Dakota also lacked an explanation of the reasoning behind revenue growth projections.

The state did little better in legacy costs, registering a D average for the category, which covers public worker pensions and other unemployment benefits (OPEB), principally health care. North Dakota's annual contributions for its small OPEB liability met actuarial recommendations, but its contribution rate for pensions—7.12 percent of payroll—consistently fell short of what actuaries determined was needed to reach full funding over thirty years. In 2018, North Dakota's pensions were 65 percent funded, 5 percentage points below the total for all states.

North Dakota's performance improved in the remaining categories. The state is the second-biggest crude oil producer, after Texas, and its tax revenues are vulnerable to swings in prices for petroleum, natural gas, and coal. The state has protected itself with a sound policy for reserve funds and earned an A average in the category. North Dakota smooths out revenue fluctuations through its Legacy Fund, which collects 30 percent of total tax revenues on oil and gas production and transfers investment earnings to the general fund at the end of each biennium. At that time, any general fund surpluses over $65 million are transferred to the Budget Stabilization Fund to help replenish the reserve and deal with revenue volatility. North Dakota's reserve policies are aligned with the best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies, a Call to Action.*

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

NORTH DAKOTA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	64%	65%	65%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

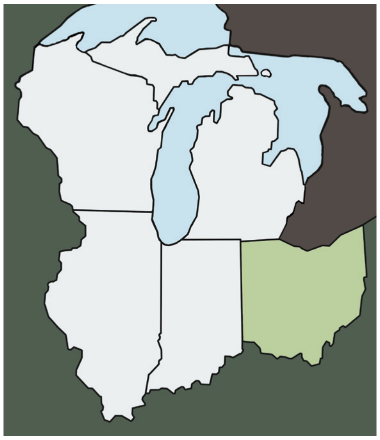
KEY

✓	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; 2018 data also used for 2019.

OHIO Budget Report Card



OHIO'S D AVERAGE in budget forecasting for fiscal 2017 through 2019 resulted from multiple weaknesses in the way the state charts its future path. One of only seven states to receive the second-lowest possible mark in the category, Ohio failed to produce at least three-year estimates for revenues or expenditures. It also does not employ consensus revenue forecasting for the budget, leaving that task to the executive branch. While the Legislative Service Commission, a bipartisan agency, prepares its own revenue forecasts, they are not used directly in formulating a budget.

Ohio earned C averages in budget maneuvers, reserve funds, and legacy costs, the last of which includes public worker pensions and other postemployments benefits (OPEB), principally health care.

The state's reserve funds grade benefited from statutory conditions for replenishing the Budget Stabilization Fund from surpluses, a recommended practice in the Volcker Alliance's recent working paper, *Rainy Day Fund Strategies: A Call to Action*. However, statutes offer little guidance for use of the reserve beyond mentioning "purposes of cash management."

The state's C average in legacy costs stemmed from underfunding of annual OPEB contributions. Though Ohio appropriated for pensions in line with actuarial determinations, the most recent information available (for fiscal 2017) shows that its contribution for the Ohio Highway Patrol Retirement System was $5.6 million, versus the actuarially determined amount of $30 million. In 2017, the state made no OPEB contributions for the State Teachers Retirement System of Ohio, although actuaries called for $339 million.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

OHIO Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	D	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	✓	X	✓
Using Asset Sales and Upfront Revenues	✓	X	✓

3-YEAR AVERAGE C | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	C	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	78%	74%	74%

3-YEAR AVERAGE C | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

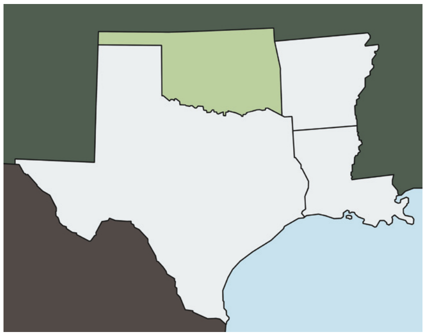
KEY

✓	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; 2018 data also used for 2019.

OKLAHOMA Budget Report Card



OKLAHOMA WAS ONE OF ONLY FOUR states to earn no lower than a B average in all five evaluated budgetary categories for fiscal 2017 through 2019. The other three were Maine, South Dakota, and West Virginia.

Oklahoma received top A averages in reserve funds and legacy costs, which cover public employee pensions and other postemployment benefits (OPEB), particularly health care. Since 2012, the state has contributed more to pensions annually than the actuarially determined amounts—a dramatic change from past underfunding. Oklahoma's pension was 81 percent funded in 2018, 11 percentage points above the total for all states and 9 points above its 2016 level.

Its A average in reserve funds reflects an Oklahoma constitutional requirement that revenue collections exceeding general fund estimates be deposited into the rainy day fund until it reaches 15 percent of the prior fiscal year's general revenue fund balance. This ensures that revenue windfalls will be set aside, helping smooth out the impact of volatility. The policy for emergency disbursements follows best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

Oklahoma earned B averages in budget forecasting, budget maneuvers, and transparency. The last grade suffered from the state's absence of budgetary disclosure of costs of deferred maintenance infrastructure, a shortcoming shared by forty-four other states as of 2019. In budget forecasting, Oklahoma missed making an A because it did not provide a reasonable, detailed rationale to support revenue growth projections in budget documents.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

OKLAHOMA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	78%	81%	81%

3-YEAR AVERAGE A | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

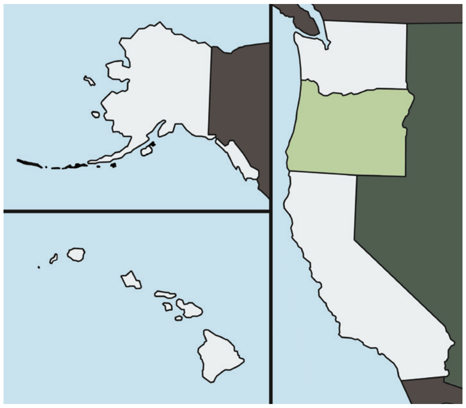
KEY

✓	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; 2018 data also used for 2019.

OREGON Budget Report Card



OREGON'S HIGH AVERAGE grades for fiscal 2017 through 2019 were marred only by a C in budget forecasting. The state is one of twenty-one states that do not use the consensus method of revenue estimation, leaving the task to the executive branch. While its long-term revenue projection extends to 2027, Oregon lacks multiyear expenditure forecasts beyond the duration of its biennial budget.

In budget maneuvers, Oregon notched an A average. It consistently avoided pushing recurring expenditures to future years or moving future-year revenues forward. It has also resisted using other one-time revenue measures to achieve budgetary balance.

Oregon also scored an A average in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), principally health care. It made actuarially recommended contributions for both. The state's pension was 82 percent funded in 2018, 12 percentage points above the total for all states.

Its reserve fund policies garnered a B average. As was the case with twenty-eight other states, Oregon's grade was held down because it does not tie rainy day funding to historical revenue volatility. Otherwise, it follows disbursement and replenishment policies aligned with best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

OREGON Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	83%	82%	82%

3-YEAR AVERAGE A | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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; 2018 data also used for 2019.

PENNSYLVANIA Budget Report Card

PENNSYLVANIA HAS A HISTORY of enacting late budgets riddled with one-time actions to achieve balance. Even though the state's 2019 spending plan was passed a week before the start of the new fiscal year, timeliness didn't yield a higher grade in the budget maneuvers category. For fiscal 2017 through 2019, the state averaged a D-minus, the lowest possible mark. It was faulted for balancing budgets by deferring recurring expenditures, shifting revenues and costs, funding recurring expenditures with debt, and using asset sales and upfront revenues to offset continuing spending.

The state maintained a C average in reserve funds, primarily because of rules governing deposits into and withdrawals from the rainy day fund. Still, as of June 30, 2019—the end of the fiscal year—Pennsylvania had a rainy day fund balance of only $22.5 million. (Nine days later, the governor's office announced a $317 million deposit.)

In legacy costs, Pennsylvania posted a D average, the second-lowest mark possible. Though it provided full actuarially determined contributions for public worker pensions, its funding level of 55 percent—about 15 percentage points below the total for all states—reflected past contribution shortfalls. The state did not provide actuarially determined funding for other postemployment benefits (OPEB), such as retiree health care, during the evaluation period.

MID-ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

PENNSYLVANIA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	D-	D-	D-
Deferring Recurring Expenditures	✗	✗	✗
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✗	✗	✗
Using Asset Sales and Upfront Revenues	✗	✗	✗

3-YEAR AVERAGE D- | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	55%	55%	55%

3-YEAR AVERAGE D | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

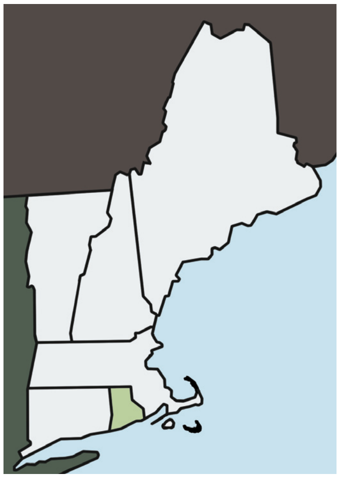
KEY

✓	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; 2018 data also used for 2019.

RHODE ISLAND Budget Report Card



RHODE ISLAND IS ONE OF ONLY a dozen states to get a top three-year average of A in budget forecasting for fiscal 2017 through 2019—a result of its detailed and transparent estimation procedures. The Revenue Estimating Conference, composed of the state budget officer and fiscal advisers to the House and Senate, revises current-year revenue estimates and provides a figure on which the upcoming budget is based. Rhode Island law prohibits spending beyond the agreed-upon revenue number.

The conference contracts with outside experts to provide longer-term economic forecasts, and the Rhode Island Budget Office is required by statute to prepare five-year projections of revenues and expenditures and submit them with budget documents.

Rhode Island's lowest average grade for the three-year period was a C in budget maneuvers, as it used one-time measures to keep the budget balanced. These included a 75-day tax amnesty program in fiscal 2018 that added $22 million to the general fund. The state also transferred $29 million from special funds to the general fund that year, including $6 million from the Rhode Island Health and Educational Building Corporation and $5 million from the Narragansett Bay Commission.

In the remaining three categories—legacy costs, reserve funds, and transparency—Rhode Island posted B averages. In legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), mainly health care, the state received credit for contributing annually to both obligations in line with amounts recommended by actuaries. But the pension is funded at only 55 percent in 2018, 15 percentage points below the total for all states.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	A	B
Maine	B	B	A	B	B
Massachusetts	C	C	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	B	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

RHODE ISLAND Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	C	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	X
Funding Recurring Expenditures with Debt	X	✓	✓
Using Asset Sales and Upfront Revenues	✓	X	✓

3-YEAR AVERAGE C | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
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

	2017	2018	2019
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

	2017	2018	2019
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 —

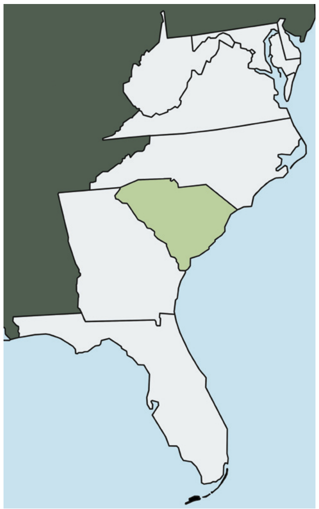
KEY

✓	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; 2018 data also used for 2019.

SOUTH CAROLINA Budget Report Card



SOUTH CAROLINA WAS THE LONE STATE among the eight in the South Atlantic region to average a D, the second-lowest possible grade, in legacy costs for fiscal 2017 through 2019. Its public employee pension was only 55 percent funded in 2018, 15 percentage points below the total for all states but slightly better than in past years. The state does not provide annual funding for other postemployment benefits (OPEB), principally health care, on a similar basis.

In transparency, South Carolina averaged a C, largely because its budget documents do not include consolidated information on tax expenditures. This is a shortcoming in a state with a longstanding reputation for aggressive economic development efforts. Additionally, like all but five states (as of 2019), South Carolina did not disclose deferred infrastructure maintenance costs.

It performed better in the remaining categories, posting top A averages in budget maneuvers and budget forecasting and a B in reserve funds. South Carolina's polices for rainy day fund disbursement and replenishment follow best practices identified in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. But the state missed an A by failing to connect rainy day fund deposits to historical revenue volatility. Twenty-eight other states also lack such a tie.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

SOUTH CAROLINA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE	A	3-YEAR TREND	—

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	54%	55%	55%
3-YEAR AVERAGE	D	3-YEAR TREND	—

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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	—

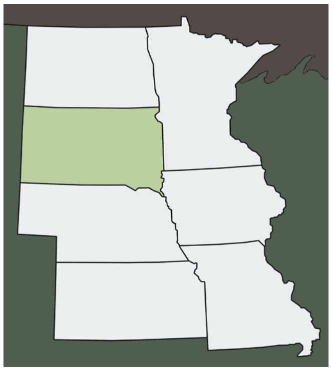
KEY

✓	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; 2018 data also used for 2019.

SOUTH DAKOTA Budget Report Card



SOUTH DAKOTA'S BUDGET PRACTICES garnered no average lower than B for fiscal 2017 through 2019, a result shared by only three other states. Its two highest marks, top A averages, were awarded in budget maneuvers and legacy costs.

In budget maneuvers, the 2017 budget was bolstered by $13 million in unclaimed property holdings that the state liquidated, but South Dakota has since eschewed such one-time revenue measures to achieve budgetary balance. In legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care, it was one of two states in 2018 whose pension was 100 percent funded. South Dakota has no OPEB liabilities. It eliminated them through a program in 2014 and 2015 that ended subsidies for retiree health coverage.

South Dakota averaged Bs in transparency, budget forecasting, and reserve funds. Like most states, its transparency mark took a hit from a lack of disclosure of deferred infrastructure maintenance costs in budget documents. In budget forecasting, South Dakota was one of twenty-one states without a consensus revenue estimating process. The reserve funds grade reflected a failure to tie rainy day fund deposits to historical revenue volatility, a practice missing in twenty-nine states.

WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

SOUTH DAKOTA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✗	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
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

	2017	2018	2019
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

	2017	2018	2019
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; 2018 data also used for 2019.

TENNESSEE Budget Report Card

TENNESSEE WAS ONE OF ONLY four states to post a top A average in transparency for fiscal 2017 through 2019. Like the thirty-eight states that received Bs, it had a consolidated budget website and provided debt tables and comprehensive tax expenditure reports. But Tennessee joined Alaska, California, and Hawaii as the only states providing budgetary information about deferred infrastructure maintenance costs throughout the three years evaluated. The information is compiled by the Tennessee Advisory Commission on Intergovernmental Relations, a panel created by statute in 1978, which estimated the state's need for public infrastructure improvements at $41.5 billion in 2016. (A fifth state, Illinois, began disclosing data on deferred infrastructure maintenance costs in 2019.)

The state's A average in budget maneuvers reflected a lack of reliance on one-time revenue measures to achieve balanced budgets. It also averaged an A in reserve funds, with policies that parallel best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. Tennessee maintains limits on the use of assets in its reserve for revenue fluctuations. It also links deposits to historical revenue volatility, adding at least 10 percent of estimated growth over the previous year in general fund and education trust fund revenues. The reserve is capped at 8 percent of those funds' total revenues.

Tennessee's weakest mark was a C average in budget forecasting. Its revenue and expenditure projections cover only the current and upcoming budget year, which falls short of the three-year minimum outlook for full forecasting credit.

EAST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

TENNESSEE Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	B	B	B
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	96%	94%	94%
3-YEAR AVERAGE B		3-YEAR TREND —	

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —	

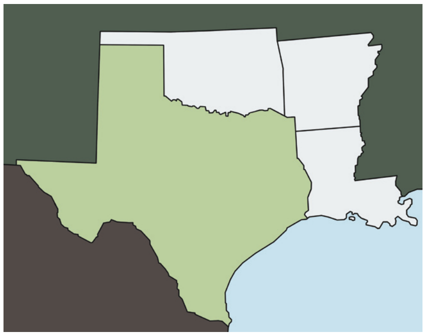
KEY

✓	Followed best practice
✗	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; 2018 data also used for 2019.

TEXAS Budget Report Card



ITS RAINY DAY FUND DEPOSITS of almost $12 billion helped get Texas a top A average in reserve funds for fiscal 2017 through 2019. Yet the second-most-populous state managed only a D-minus average in legacy costs, the lowest mark possible, after appropriating less for public worker pensions and other postemployment benefits (OPEB) than actuaries recommended.

With annual contributions to the three pensions administered by the Employment Retirement System of Texas less than actuarially determined amounts, funding was 71 percent of estimated obligations in 2018. While that was 1 percentage point above the total for all states, it represents a decline from 2016, when the system was 73 percent funded. Texas also failed to follow actuarial recommendations for OPEB, which includes health care. In fiscal 2018, the state contributed only $325 million, just 16 percent of the actuarial sum.

The state's A average in reserve funds reflects policies that track best practices cited by the Volcker Alliance in the recent working paper, *Rainy Day Fund Strategies, A Call to Action*. The dedication of the No. 1 crude oil–producing state to maintaining a healthy economic stabilization fund is rooted in a vigorous funding system linked to the volatility of its petroleum and natural gas revenues. This includes the deposit of a large portion of severance tax collections in years when they exceed 1987 levels. Additionally, Texas deposits half of any unencumbered general fund surplus into the stabilization fund at the end of each biennium.

Texas's improvement in multiyear expenditure and revenue estimating processes helped it earn a C average in budget forecasting. The state did not extend revenue or expenditure projections beyond its biennial budget in 2017 but began to do so the following year, when a legislatively mandated report provided expenditure and revenue forecasts for 2018–27.

WEST SOUTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

TEXAS Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
CATEGORY GRADE	D	B	B
Consensus Revenue Forecasts	✗	✗	✗
Multiyear Expenditure Forecasts	✗	✓	✓
Multiyear Revenue Forecasts	✗	✓	✓
Revenue Growth Projections	✓	✓	✓

3-YEAR AVERAGE C | 3-YEAR TREND ↗

BUDGET MANEUVERS

	2017	2018	2019
CATEGORY GRADE	B	D	C
Deferring Recurring Expenditures	✓	✗	✓
Revenue and Cost Shifting	✗	✗	✗
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✗	✗

3-YEAR AVERAGE C | 3-YEAR TREND ↘

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D-	D-	D-
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✗
Public Employee Pension Funded Ratio*	76%	71%	71%

3-YEAR AVERAGE D- | 3-YEAR TREND —

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

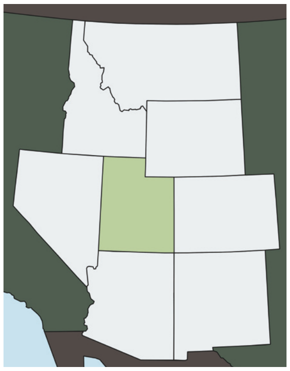
KEY

✓	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; 2018 data also used for 2019.

UTAH Budget Report Card



UTAH WAS A STANDOUT IN THREE of the five budgetary practice categories evaluated, receiving top A averages in budget maneuvers, legacy costs, and reserve funds for 2017 through 2019.

Having the eighth-best-funded state pension in 2018 contributed to the state's legacy costs grade. Utah's pension system was 85 percent funded that year, 15 percentage points above the total for all states. That healthy position stands in sharp contrast to 2008, when the system lost more than a fifth of its assets in the stock market crash; its funding dropped from almost 100 percent to 70 percent the next year. The decline prompted reforms that helped get the system back on a growth path. In the latest evaluation period, Utah made its full actuarially determined contributions for the pension and for other postemployment benefits (OPEB), mainly health care.

Utah earned an A in budget maneuvers by rejecting the use of one-time revenue measures to achieve budgetary balance. Its top mark in reserve funds stems from its regular analysis of revenue volatility, which is used to set balances in the General Fund Budget Reserve and Education Fund Budget Reserve accounts. The state's B average in forecasting was buoyed by the legislature's decision in 2018 to mandate long-term budget stress-testing, including considering revenues and expenditures from major funds and tax types under various economic conditions. Utah's C average for transparency reflected a lack of a comprehensive budgetary report on tax expenditures. Though the State Tax Commission provides an annual table with estimates of statutory sales tax exemptions, it does not address credits, abatements, or other types of tax breaks.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

UTAH Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
CATEGORY GRADE	C	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✗	✓	✓
Multiyear Revenue Forecasts	✗	✓	✓
Revenue Growth Projections	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↗

BUDGET MANEUVERS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE A | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	A	A	A
Public Employee OPEB Funding	✓	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	90%	85%	85%

3-YEAR AVERAGE A | 3-YEAR TREND ↘

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

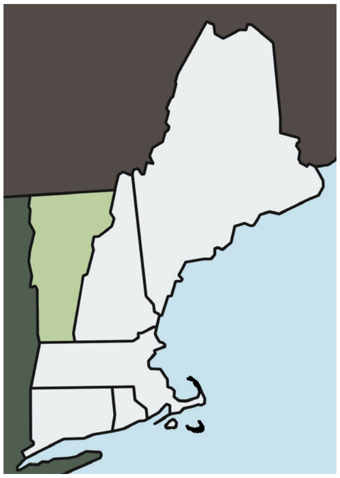
KEY

✓	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; 2018 data also used for 2019.

VERMONT Budget Report Card



VERMONT POSTED B AVERAGES in three of the five categories evaluated for fiscal 2017 through 2019: budget forecasting, reserve funds, and transparency. In each one, it lacked only one element that would have earned a top A mark.

The state has strong budget forecasting procedures, including consensus revenue estimates. Its outlook for expenditures extends for only two years, however—one less than necessary to get full credit in the category. Vermont's policies regarding reserve funds largely parallel those cited as best practices by the recent Volcker Alliance working paper, *Rainy Day Funds: A Call to Action*. The state falls short in not considering historical revenue volatility in its calculations of rainy day fund deposits.

The state's B average in transparency reflected its failure to provide budgetary information on deferred infrastructure maintenance costs, a weakness shared by forty-four other states.

Vermont's weakest grade was a D average in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. With a high OPEB liability relative to its budget, the state contributed only 56 percent of the $112 million actuarial recommendation for covered employees in 2018. Vermont's pension contributions came close to meeting actuarial calculations, but its pensions were funded at 64 percent of estimated obligations—6 percentage points below the total for all states.

NEW ENGLAND STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Connecticut	A	C	D	A	B
Maine	B	B	A	B	B
Massachusetts	C	C	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	B	B	C	B	B

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

VERMONT Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✗	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
	3-YEAR AVERAGE A	3-YEAR TREND ↗	

LEGACY COSTS

	2017	2018	2019
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

	2017	2018	2019
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

	2017	2018	2019
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 —	

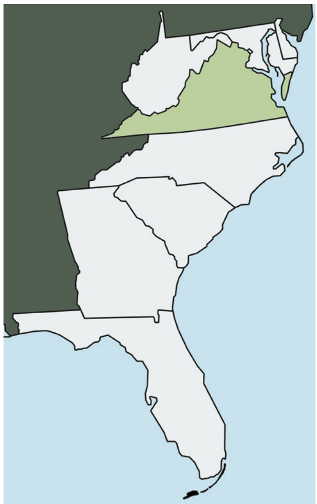
KEY

✓	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; 2018 data also used for 2019.

VIRGINIA Budget Report Card



VIRGINIA'S DECISION TO MAKE actuarially determined contributions to public worker pensions beginning in 2018 helped raise its average in legacy costs to C for fiscal 2017 through 2019 from D in the previous evaluation period.

The higher contributions, on top of other reforms enacted over the past decade, powered an increase in Virginia's pension funding level to 79 percent in 2018, 7 percentage points above its 2016 level and about 9 points above the total for all states. While the state comes close to fully funding most of its other postemployment benefits (OPEB), its pre-Medicare retiree health care plan is run on a pay-as-you-go basis and does not meet actuarial goals.

Virginia fared better in budget forecasting, in which it was one of only twelve states receiving a top A average. Each year, the governor submits an estimate of revenues and a six-year revenue projection for the general fund and other major funds, including transportation. The estimate reflects input from two advisory organizations representing the business community, economists, tax experts, and legislators. The Joint Advisory Board of Economists evaluates economic assumptions and econometric methodology, as well as data from the state Department of Taxation. The Governor's Advisory Council on Revenue Estimates reviews the economic assumptions and state business climate and produces revenue projection recommendations. Virginia also averaged an A in reserve funds.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

VIRGINIA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	C	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	X	X	X

3-YEAR AVERAGE C | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	C	C
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	✓	✓
Public Employee Pension Funded Ratio*	77%	79%	79%

3-YEAR AVERAGE C | 3-YEAR TREND ↗

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

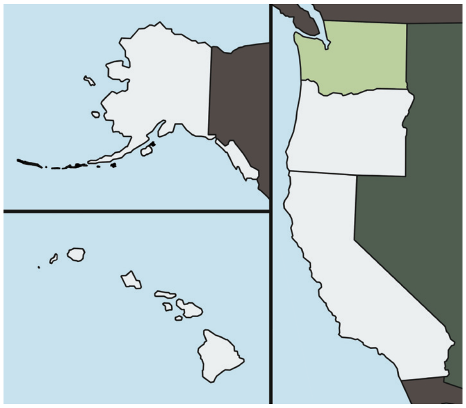
KEY

✓	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; 2018 data also used for 2019.

WASHINGTON Budget Report Card



WASHINGTON SCORED A averages in budget forecasting, budget maneuvers, and reserve funds for fiscal 2017 through 2019. The only state receiving more top marks was Hawaii, which averaged an A in four of five categories.

Washington eschews the use of one-time revenues to achieve budgetary balance and has strong budget forecasting practices, with its Economic and Revenue Forecast Council updating revenue estimates four times annually. The council includes members of the legislative and executive branches, and the state treasurer. It produces long-term forecasts for revenues and expenditures that cover at least three years.

In reserve funds, Washington maintains policies that parallel best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. Drawdowns from the Budget Stabilization Account are allowed only when the governor declares an emergency that threatens public safety or when state employment growth is forecast to be less than 1 percent in any fiscal year. Other uses require a vote of three-fifths of the members of each chamber of the legislature. The state constitution also requires the transfer of 1 percent of projected general revenues to the stabilization account at the beginning of each biennium.

Washington improved its legacy cost grade, which rose to a C average for the 2017–19 period from a D for 2016–18. The category covers public worker pensions and other postemployment benefits (OPEB), principally health care. Pensions were 94 percent funded in 2018, 24 percentage points above the total for all states. While statutory contributions for fiscal 2017 and 2018 fell short of actuaries' recommendations, the annual employer contribution rates were updated in fiscal 2019 to provide slightly more than the actuarially determined contribution. But the state still lags in its annual payments for OPEB.

PACIFIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

WASHINGTON Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓
	3-YEAR AVERAGE A		3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D	D	B
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✗	✗	✓
Public Employee Pension Funded Ratio*	90%	94%	94%
	3-YEAR AVERAGE C		3-YEAR TREND ↗

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

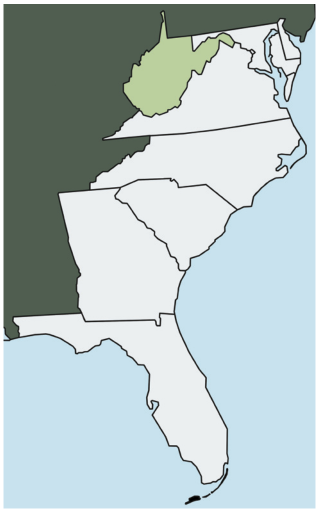
KEY

✓	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; 2018 data also used for 2019.

WEST VIRGINIA Budget Report Card



WEST VIRGINIA AVERAGED Bs in all five budget practice categories for fiscal 2017 through 2019. It was one of only four states to receive no average mark lower than a B.

In legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care, West Virginia made its full actuarially determined contribution for pensions. The state funded OPEB in line with actuarial calculations in fiscal 2018 and 2019, though not in 2017. Pensions were 83 percent funded in 2018, almost 13 percentage points above the total for all states. Its mark in budget forecasting reflected West Virginia's failure to use consensus revenue forecasts, which ensure that all parties involved in developing a budget agree to the same estimate. Instead, the governor's office develops the revenue forecast with minimal legislative input.

Though West Virginia has policies for disbursing and replenishing reserve funds, it missed an A by failing to tie reserves to historical revenue volatility. That is among the best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. The budget maneuvers grade stemmed from actions the state took in 2017 and 2018. They included transfers of special funds to the general fund and a debt refinancing in 2017 that traded lower current payments for higher costs in the future.

SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

WEST VIRGINIA Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	C	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✗	✗	✓
Funding Recurring Expenditures with Debt	✗	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	C	A	A
Public Employee OPEB Funding	✗	✓	✓
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	79%	83%	83%

3-YEAR AVERAGE B | 3-YEAR TREND ↗

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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 —

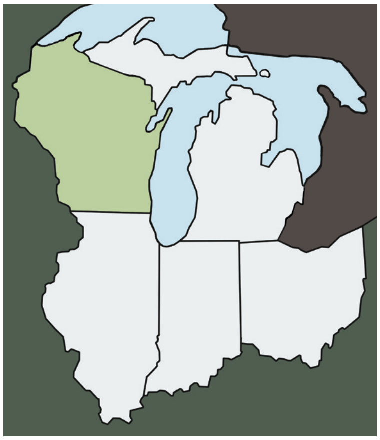
KEY

✓	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; 2018 data also used for 2019.

WISCONSIN Budget Report Card



WISCONSIN IS ONE OF ONLY ten states earning a top average A grade in legacy costs for fiscal 2017 through 2019. Its fully funded public worker pension—as of 2017—reflects the state's long history of making actuaries' annual recommended contributions. The state has minimal health benefit obligations for retirees and finances them on a pay-as-you-go basis.

In contrast, Wisconsin averaged a D, the second-lowest grade possible, in budget forecasting. It lacks consensus revenue estimates and relies exclusively on ones calculated by the state Department of Revenue, an executive branch agency, with no legislative input. Additionally, Wisconsin does not disclose long-term forecasts—those covering three years or more—for expenditures or revenues.

The state earned B averages in budget transparency, reserve funds, and budget maneuvers. Like forty-four other states, a lack of disclosure of deferred infrastructure maintenance costs in budget documents prevented Wisconsin from earning a higher mark in transparency, while the absence of a link between the state's rainy day fund and historical revenue volatility hurt its reserve funds grade. A pattern of refunding bonds to move payments into future years negatively affected the score in budget maneuvers, which tracks one-time actions used to achieve budgetary balance.

EAST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

WISCONSIN Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	B	B
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✗	✗	✗
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND —

LEGACY COSTS

	2017	2018	2019
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

	2017	2018	2019
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

	2017	2018	2019
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 —

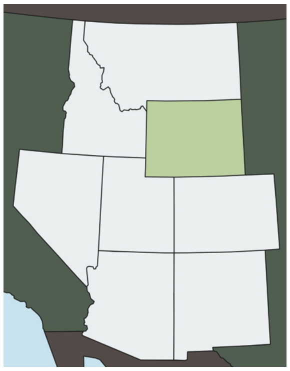
KEY

✓	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; 2018 data also used for 2019.

WYOMING Budget Report Card



WYOMING TOOK STEPS IN 2017 to improve public worker pension funding by raising scheduled annual employer and employee contributions through 2021. It also reduced payments to workers who leave before they are vested in the pension system. Nonetheless, the state was one of seven for fiscal 2017 through 2019 to average a D-minus, the lowest possible grade, in legacy costs, which cover pensions and other postemployment benefits (OPEB), principally health care. Wyoming did not make annual actuarially determined contributions to either for 2017–19. Pensions were funded at about 69 percent in 2018, about 1 percentage point below the total for all states.

The state averaged a C in reserve funds. As the nation's largest coal-producing state and a major producer of natural gas and crude oil, Wyoming depends heavily on volatile energy revenues. Yet its rainy day fund is not tied to historical revenue volatility—a best practice recommended in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

Wyoming was also one of only eight states to average lower than a B in transparency. Its C average stemmed from limited reporting of tax expenditures and a lack of disclosure of deferred infrastructure maintenance costs. The state's best grades were its B averages in budget forecasting and budget maneuvers. Its Consensus Revenue Estimating Group, which prepares official state forecasts, is led by legislative and executive budget officers and has a diverse membership that includes mineral experts and representatives from the Department of Revenue and the University of Wyoming. It publishes a five-year outlook with every biennial budget.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19

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

NOTE States are grouped by US Census Bureau divisions.

Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: The Balancing Act* at VolckerAlliance.org.

WYOMING Budget Report Card

BUDGET FORECASTING

	2017	2018	2019
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

	2017	2018	2019
CATEGORY GRADE	B	B	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	X	X	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Upfront Revenues	✓	✓	✓

3-YEAR AVERAGE B | 3-YEAR TREND ↗

LEGACY COSTS

	2017	2018	2019
CATEGORY GRADE	D-	D-	D-
Public Employee OPEB Funding	X	X	X
Public Employee Pension Funding	X	X	X
Public Employee Pension Funded Ratio*	76%	68%	68%

3-YEAR AVERAGE D- | 3-YEAR TREND ↘

RESERVE FUNDS

	2017	2018	2019
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

	2017	2018	2019
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; 2018 data also used for 2019.

APPENDIX A: Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Cash accounting A common practice for state and local government budgets, it allows expenditures to be recognized when payments have been made. Similarly, cash accounting allows revenues to be recognized when they are anticipated. Most state and local budgets use cash accounting. Under cash accounting, for example, a large contract to buy computer equipment in one year might not be recorded until the following year's budget, when the bill for the acquisition is finally paid.

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

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

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

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

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

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

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

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

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

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

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

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

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

Medicaid Health care program for low-income families and individuals jointly financed by the federal and state governments, although with various percentages of support from the two parties. States pay about 40 percent of Medicaid costs, on average, although some pay as little as 30 percent.

Midyear budget adjustment Adjustments made during the fiscal year or biennium to the originally enacted budgetary expenditures, usually resulting in reduced services, increased taxes or fees, or the use of one-time revenue actions, such as transfers from special funds or asset sales, to cover any anticipated deficits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax expenditure reports Disclosures of budget revenues forgone by states through the use of tax exemptions, credits, and abatements. The contents of tax expenditure reports and value of forgone revenues may differ from reporting of tax credits, exemptions, and abatements mandated by the Governmental Accounting Standards Board in CAFRs.

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

APPENDIX B: Research Methodology

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

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

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

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

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

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

All states received a letter grade ranging from A to D-minus, the lowest possible, for each budget category for fiscal 2017, 2018, and 2019. The annual marks were averaged to produce the three-year letter grades. Additionally, sustained improvement or decline in a state's score over the course of the three fiscal years was used to identify trends in budgetary performance within each category, which are shown next to the average grades.

Insights gained through several *Truth and Integrity in State Budgeting* studies allowed us to refine the research questions, method, and process. These changes improved the accuracy and cross-state comparability of the research results but in some cases resulted in discrepancies between this report and the previous one, released in December 2018. A reexamination of fiscal 2018, which was only preliminarily studied in that report, allowed researchers to capture budgetary actions that had yet been taken and to use documents that were previously unavailable.

The research questions and the standards used to measure state budget practices were refined from the previous report to improve cross-state comparability. Scoring and grading methodology were revised to more accurately assess and compare states' adherence to best practices. More accurate and up-to-date public employee pension funding data were used in assessing the Legacy Costs category, which also included a change in Government Accounting Standards Board rules for state financial reporting. Pension funding ratios were compiled by Bloomberg as of the end of the fiscal year in question. The ratios were not available for fiscal 2019 as of our publication deadline, so fiscal 2018 data were used instead. Results released in this report—including for fiscal years covered in the previous one—reflect the updated assessment standards and methods. That allows for year-over-year comparisons of all fiscal years studied.

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William Glasgall, the editor of this report, joined the Volcker Alliance in January 2014 as director of State and Local initiatives. Previously, he was managing editor at Bloomberg News, overseeing coverage of state and local government and financial news that won numerous awards from the Overseas Press Club and other organizations.

His career also includes almost two decades at *BusinessWeek*, where he won two Overseas Press Club Awards for international reporting, and as a vice president at Standard & Poor's. Glasgall is a member of the Municipal Fiscal Health Working Group of the Lincoln Institute of Land Policy; a governor of the Overseas Press Club Foundation; and a former member of the Board of Overseers of the Knight-Bagehot Fellowship Program in Economics and Business Journalism at Columbia University, where he was also a fellow. He is a graduate of Boston University and lives in New Jersey.

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Melissa Austin joined the Volcker Alliance in 2015. As director of operations, she is responsible for designing and executing operational controls and administrative procedures for the Alliance. In addition, she works closely with the team to provide assistance and guidance on the various facets of the Truth and Integrity in Government Finance project.

Austin previously served as a senior grants management specialist at the National Institutes of Health, where she negotiated, administered, reviewed, and awarded grants on complex and critical medical research projects. Before that, she was a senior management assistant to the business administrator of the City of Newark, New Jersey, leading and managing the legislative review team, coordinating park and open space redevelopment projects, and spearheading Newark's federal and state lobbying efforts.

Austin received a bachelor of science in business administration and a master of public administration from the University of Delaware.

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

In his current position, Winn-Ritzenberg provides project management, research coordination, and communications development for various projects, including Truth and Integrity in Government Finance.

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

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Maya Corrin, who joined the Volcker Alliance in April 2019, graduated cum laude from Northwestern University in December 2018 with a bachelor of science in education and social policy. She works to support several initiatives in the Alliance's portfolio, including Truth and Integrity in Government Finance and Preparing Tomorrow's Public Service.

As an undergraduate, Corrin spent her time outside the classroom working directly with community members most affected by social policy. She worked in a local physical therapy clinic, building relationships with health care professionals and patients as they navigated injury and the health care system. In Chicago and San Francisco, she worked in nonprofit organizations collaborating with teachers and mentoring students in two of the largest, most diverse, and most politically charged school districts in the country. She also has private sector experience, having served as an associate at a Certified B Corporation, learning how for-profit corporations can work to catalyze social and political change. Corrin currently resides in lower Manhattan.

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Chris Reed joined the Volcker Alliance in July 2019. As a program assistant, he provides support for a variety of the Alliance's initiatives.

Reed graduated from Wesleyan University in 2019 as a double major in government and biology. Previously, he interned at the Washington, DC, office of Representative Jared Huffman and at the Napa, California, district office of Representative Mike Thompson. He has also spent time in San Diego working for the Sierra Service Project, a nonprofit that provides free construction services to homes and small businesses throughout the western United States. Reed was raised in Northern California and now resides in New York City.

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RELATED RESEARCH INITIATIVES

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

Department of Public Policy & Administration, Steven J. Green School of International & Public Affairs, Florida International University
RELATED RESEARCH *Rainy Day Funds and Revenue Volatility*, by Daniel Castro, Howard Frank, and Hai (David) Guo; *The Naked Truth About State Governments' Budget Maneuvers*, by Merlene-Patrice Bourdeau-Quispe.

Center for State and Local Finance, Andrew Young School of Policy Studies, Georgia State University
RELATED RESEARCH *Fiscal Transparency and Legacy Costs*, by Alex Hathaway; *Budget Maneuvers in the Southern States*, by Alex Hathaway and Jesseca Lightbourne; *Reserve Fund Policies in the Southern States*, by Bethel Habte, Alex Hathaway, and Jesseca Lightbourne; *OPEB Funding Challenges: The U.S. Postal Service*, by Alex Hathaway; *OPEB Funding in the Southern States*, by Alex Hathaway; *Revenue Forecasting Practices in the Southern States*, by Emily Franklin and Alex Hathaway; *Fiscal Transparency and Accessibility in the Southern States*, by Alex Hathaway and Anna Sexton; *Fiscal Transparency across the States: A Volcker Alliance Paper*, by Jesseca Lightbourne, Alex Hathaway, Emily Franklin, Bethel Habte, and Bart Hildreth.

Rutgers Accounting Research Center and Continuous Auditing and Reporting Lab, Rutgers Business School, Rutgers University and Department of Accounting and Finance; Feliciano School of Business, Montclair State University
RELATED RESEARCH *Volcker Alliance's Survey Data: A Case Study*, by Zamil S. Alzamil, Deniz Appelbaum, and Miklos A. Vasarhelyi; *Measuring with Exogenous Data (MED) and Government Economic Monitoring (GEM)*, by Helen Brown-Liburd, Arion

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

RELATED RESEARCH *Beyond Truth and Integrity in State Budgeting: Fiscal Stress Politics, and Institutional Arrangements. A Volcker Alliance Project Paper*, by Rebecca Hendrick and Xiaoyan Hu.

Center for State Policy and Leadership, University of Illinois Springfield

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

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

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RELATED RESEARCH *State Budget Stress Testing: How Utah Budget-makers are Shifting the Focus from a Balanced Budget to Fiscal Sustainability*, by Juliette Tennert, Angela J. Oh, Jonathan Ball, and Thomas Young.

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None of these individuals has responsibility for the data used in this report or for its conclusions and recommendations.

Some research for this report was conducted on the Bloomberg terminal.

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