

Alabama Budgeting: National Benchmarks and Lessons From the *Truth and Integrity* Reports

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The Volcker Alliance

February 5, 2016

Public Affairs Research Council of Alabama

Annual Meeting

Birmingham, Alabama

Budgeting Principles: Lessons from CA, NJ, VA

THE VOLCKER ALLIANCE
Working for Effective Government

Agreement on state budget evades House, Senate
California's Gov. Jerry Brown to Present Revised Budget Plan
Agencies predict dire effects if state budget not passed
N.J. Unions Protest Cuts to Pension in Statehouse Rally
Medicaid to claim more of VA higher-education resources
California lawmakers may boost highest motor fuel taxes in U.S.
California Association sees billions for school construction projects
Ill. can't cut enough spending to make full pension payment
Stock returns ease public pressure
Federal officials: More transportation funds would help Northern Virginia
State budget still facing shortfall
Pink slips loom as budget standoff continues
Louisiana bond blues deepen as rating cut seen on budget deficit
State House approves plan to cut billions in property taxes
Cal school budgets: Pension costs rise from 3.2% to 9%
Mandy's budget: Age to Virginia, Tennessee, and North Carolina
State budget eliminates emergency family support payments level
emergency services crippled

Truth and Integrity in State Budgeting

LESSONS FROM THREE STATES

INITIAL REPORT OF THE TRUTH AND INTEGRITY IN GOVERNMENT FINANCE PROJECT

Download the report at <http://tinyurl.com/pgtot68>

Evaluating 3 State Budgets, 2013-2015

A PRELIMINARY BUDGET REPORT CARD: How the States Are Trending

● Followed best practices ● Needs improvement ● Followed practices to be avoided NA Fiscal 2015 yearend data not available

BUDGET PRACTICE	CALIFORNIA			NEW JERSEY			VIRGINIA		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
Used consensus revenue forecasts	●	●	●	●	●	●	●	●	●
Adequately funded annual pension contribution that actuaries say is required	●	●	●	●	●	●	●	●	●
Provided advance funding of other postemployment benefits (OPEB) obligation*	●	●	●	●	●	●	●	●	●
Increased rainy day fund balance as economy recovered**	●	●	NA	●	●	NA	●	●	NA
Provided easy online access to budget and necessary supplemental data	●	●	●	●	●	●	●	●	●
Avoided delaying payments to third parties to reduce general fund deficit or address liquidity issues	●	●	●	●	●	●	●	●	●
Avoided moving future revenue into current fiscal year or current expenses into next fiscal year	●	●	●	●	●	●	●	●	●
Avoided selling assets to raise cash for general fund or address liquidity issues	●	●	●	●	●	●	●	●	●

* Principally retiree health care ** California funds include Special Fund for Economic Uncertainties, Reserve for Liquidation of Encumbrances, and Budget Stabilization Account. New Jersey made no rainy day fund contributions in fiscal 2013-15 because state failed to meet revenue threshold, which excludes personal income taxes. SOURCE: Survey of material practices in state budget and financial reports.

Volcker Alliance's Agenda for Budget Reform

- Complete budget info, including how balance was achieved and whether one-time revenue sources were used, should be easier to find and interpret.
- Short-term revenue forecasts should be transparent and supportable by historic growth trends. Past projections should be assessed for accuracy to help improve forecasting.
- Recurring costs should be paid with recurring revenues.
- Proceeds of borrowing should not be used to cover operating expenses.
- States should move away from cash budgeting and toward modified accrual to show the true present value of future obligations.
- States should build rainy day funds, adjust them for revenue volatility, and replenish them after they are tapped.

Cost-Shifting Consequences

- *The cost of shifting costs to future generations:*
 - Pension/OPEB underfunding
 - Infrastructure gaps
 - Education needs left unmet
 - The need for improved, independent revenue forecasting
 - Growing revenue volatility
 - Inadequate rainy day fund policies
- *The cost of inaction:*
 - Widened credit spreads/lack of market access
 - Service insolvency
 - Financial insolvency (Puerto Rico, Harrisburg)
 - Chapter 9 bankruptcy (Detroit, JeffCo, California cities)
 - Social and market unrest?

Truth & Integrity Next Steps (1)

- Expand scrutiny to all 50 U.S. states
- Refine/expand screening criteria
- Join with 5-10 universities to collect and analyze data under supervision of the Volcker Alliance.
Good budgeting = good teaching tool
- Create and publish recurring Report Card on state budgets
- Use Report Cards and data to enlist advocates for budget reform in statehouses
- Create open database of budget findings/apps for research/simulation

Truth & Integrity Next Steps (2)

- Refinement/expansion of screening:
 - ✓ Long-term structural general fund gaps
 - ✓ Inclusion of tax abatements/credit costs in budget
 - ✓ Uniform measure of infrastructure/education gaps
 - ✓ Modify pension funding screen to reflect GASB
 - ✓ Improved scrutiny of fund transfers
 - ✓ Improved evaluation of budgetary reserve
 - ✓ Use of/commitment to use GAAP for budgeting
 - ✓ Year-to-year comparability
 - ✓ Creation of digital database & dashboard

Relevance for Alabama



THE VOLCKER ALLIANCE
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Alabama Echoes Common Refrain Across US as Budget Season Begins

Alabama lawmakers begin 2016 session to familiar budget woes

February 2nd, 2016 | by Associated Press | in Local Regional News | Read Time: 2 mins. |



Rep. Mike Ball rests his arm on a chair during the legislature session start Tuesday, Feb. 2, 2016, in Montgomery, Ala.
Photo by Associated Press /Times Free Press.

MONTGOMERY, Ala. — Alabama lawmakers began the 2016 legislative session on Groundhog Day with familiar budget woes that could spell funding cuts for many state agencies.

Chattanooga Times, 2/2/16

Alabama's First Budget: the Deficit of 1819

Monteville 14th Decem. 1819

Sir, In compliance with your request of this morning to lay before you such information as I possessed relative to the amount of money which may be necessary to borrow for the uses of the State, I have the honor to submit the following.

The amount of money now in the Treasury is \$22,111-54

Amount of the wages & mileage of the Members of the Senate & H. R. \$24,900

Amount of the wages of the Secretary & Clerks of both Houses — 1250

wages of Door keepers — 400

Stationary house rent & pay of Public Printer — 1500

Amount of the 1st quarter of the annual Salaries of the Officers of the State 4331

Total amount of expenditures — \$32,331

The amount necessary to be procured \$9920

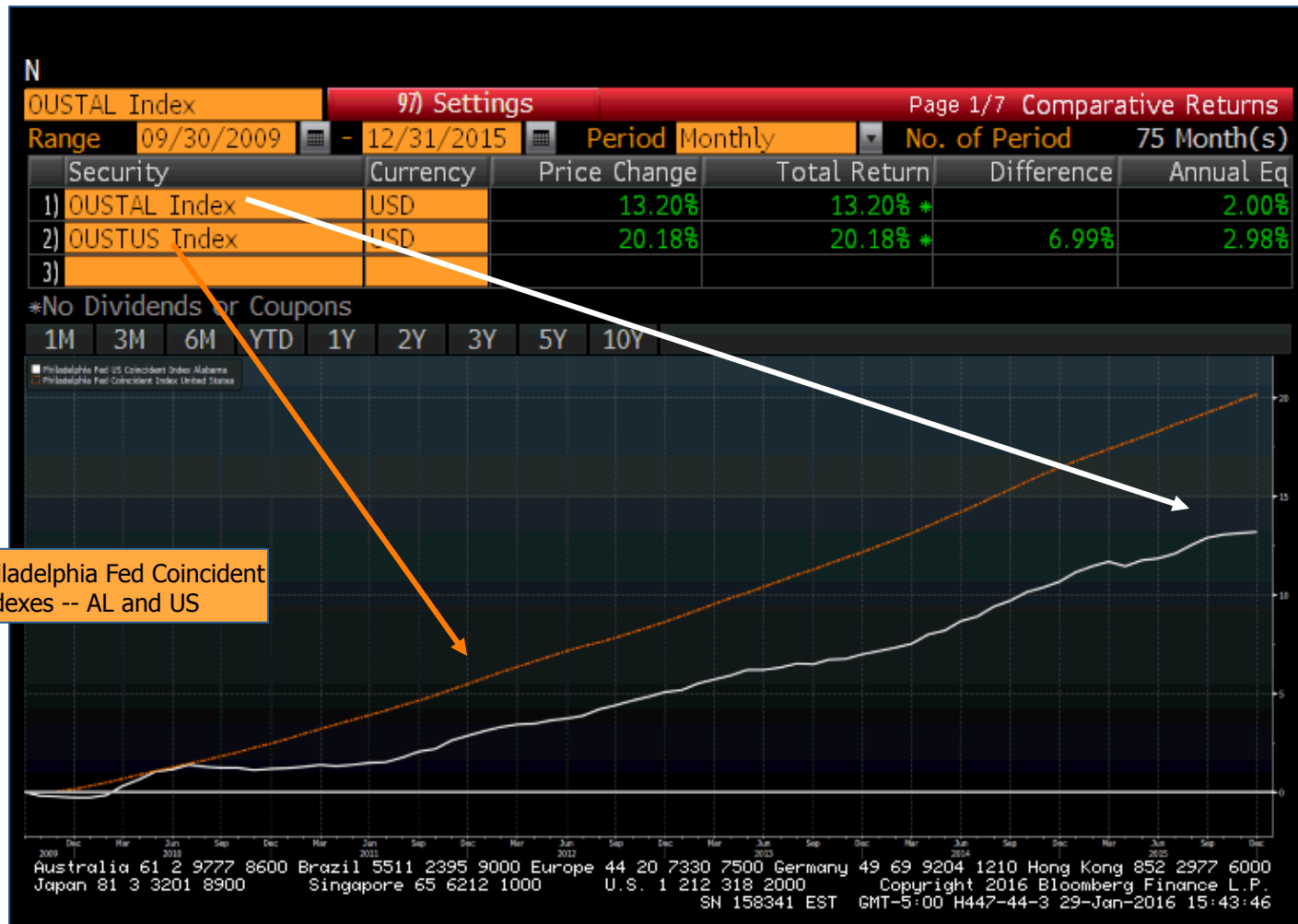
very respectfully
yours &c. Samuel Pickens

Revenues=\$22,111

Expenditures=\$32,331

Source: Alabama Dept. of Finance, Executive Budget Office

Alabama Budget Environment: Economic Headwinds:



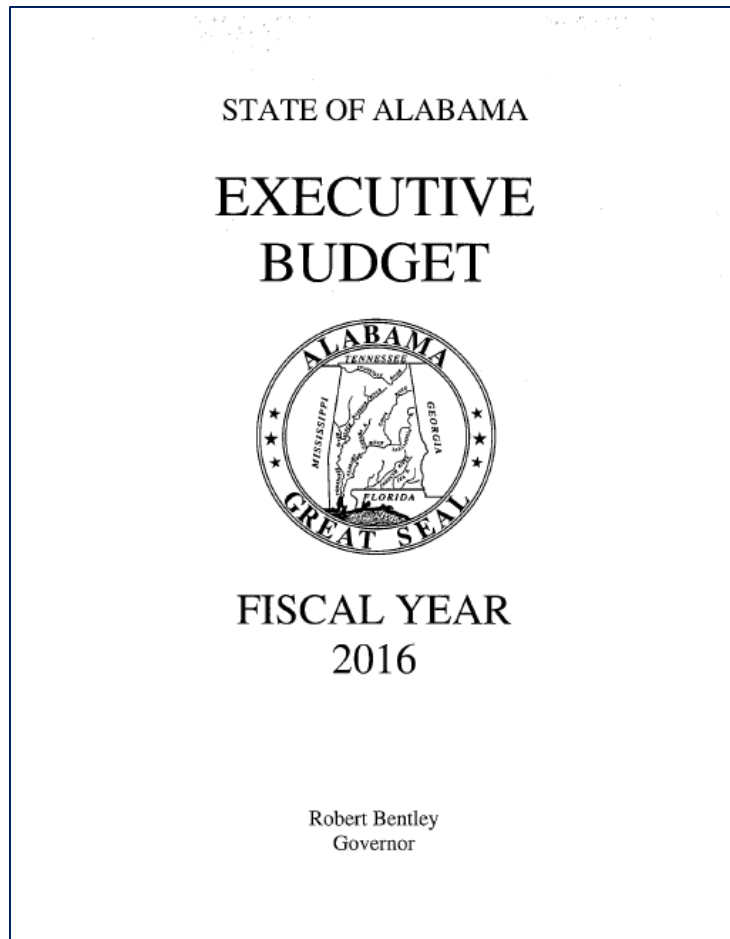
Source: Federal Reserve Bank of Philadelphia, via Bloomberg

Alabama Budget Environment: Unfunded Pension & OPEB Liabilities

12 Months Ending	09/30/2004	09/30/2005	09/30/2006	09/30/2007	09/30/2008	09/30/2009	09/30/2010	09/30/2011	09/30/2012	09/30/2013	09/30/2014
Pension Net Periodic Cost											
Pension Expense (Income)	52.2	68.7	97.0	646.9	876.7	930.4	191.2	183.2	147.3	—	—
Other Postretirement Cost											
Other Postretirement Benefits Expense (Income)	—	—	—	—	311.0	214.4	196.6	199.8	285.2	538.6	449.5
Interest Cost	—	—	—	—	—	-10.3	-14.3	-19.4	41.9	34.6	42.3
Pension Funded Status											
Fair Value of Plan Assets	26,670.0	23,878.7	28,439.7	29,369.3	30,687.0	30,740.8	30,763.1	30,118.3	29,122.2	28,136.9	29,419.6
Projected Benefit Obligation	28,767.1	26,643.8	33,962.0	35,704.3	38,657.8	40,957.1	41,634.6	42,942.1	43,536.7	42,516.8	44,616.6
Over(Under) Funded Pension	-2,097.2	-2,765.1	-5,522.3	-6,334.9	-7,970.8	-10,216.3	-10,871.5	-12,823.8	-14,414.6	-14,380.0	-15,197.1
Employer Contribution	492.5	552.4	687.5	1,540.0	1,676.2	1,623.4	1,601.8	1,560.8	1,359.3	1,406.0	1,567.5
Benefits Paid	—	—	—	—	—	—	—	-2,483.0	—	-2,817.9	-2,975.9
Accumulated Benefit Obligation	0.0	0.0	—	0.0	0.0	0.0	—	—	—	—	—
Pension Funding Ratio	92.71	89.62	83.74	82.26	79.38	75.06	73.89	70.14	66.89	66.18	65.94
Other Postretirement Funded Status											
Fair Value of Plan Assets	—	—	—	400.8	579.8	632.0	767.5	847.9	886.7	1,056.9	1,217.6
Projected Benefit Obligation	—	—	—	16,069.3	16,209.2	16,227.8	16,078.0	15,747.2	12,451.2	12,173.1	12,459.8
Over(Under) Funded Post Ret Benefits	—	—	—	-15,668.5	-15,629.4	-15,595.8	-15,310.5	-14,899.4	-11,564.6	-11,116.2	-11,242.1

Source: Bloomberg

Lessons for Alabama: Budget Elements for the Future?



1. Introductory explanation
2. Departmental explanations
3. Infrastructure deferred cost
4. Pension/OPEB discussion

(See California examples:

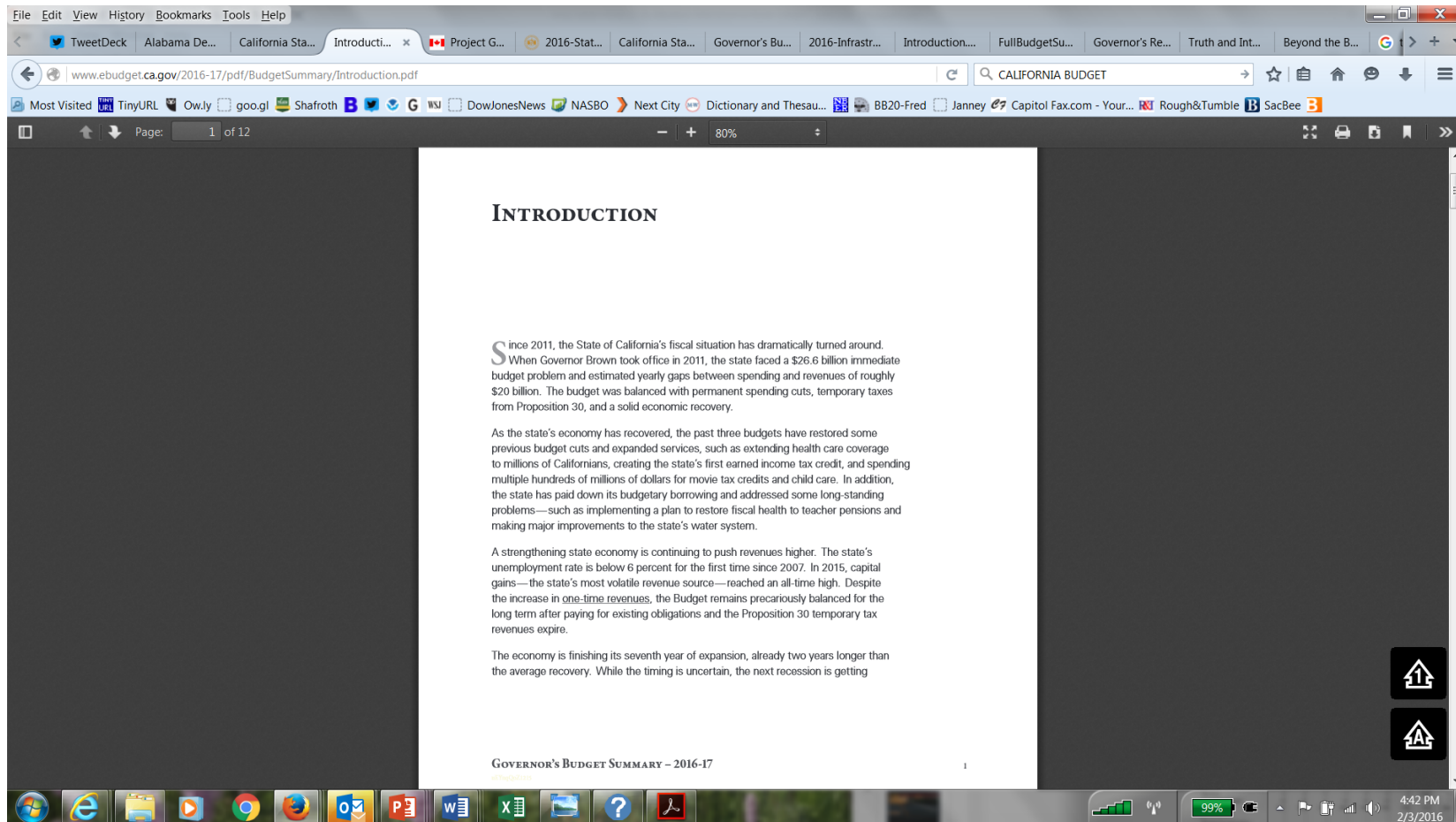
[http://www.ebudget.ca.gov/2016-17/
BudgetSummary/BSS/BSS.html](http://www.ebudget.ca.gov/2016-17/BudgetSummary/BSS/BSS.html))

AL 2016-17 Budget: First Word is a Table

STATE GENERAL FUND AND EARMARKED FUNDS BUDGET SUMMARY								
	FY 2015		FY 2016		FY 2017		FY 2017	
	GENERAL FUND	EARMARKED FUNDS	GENERAL FUND	EARMARKED FUNDS	GENERAL FUND	EARMARKED FUNDS	GENERAL FUND	EARMARKED FUNDS
I. Legislative								
Examiners of Public Accounts	6,937,814	4,930,245	5,811,602	5,523,094	11,626,642	1,012,863	5,666,312	1,012,863
Law Institute	199,692	35,811	142,831	30,000	166,076	30,000	138,974	30,000
Legislative Building Authority	92,732	845,119	0	0	0	0	0	0
Legislative Council	291,776	0	1,099,076	0	908,569	0	885,855	0
Legislative Fiscal Office	3,010,124	0	3,152,452	0	1,925,663	0	1,367,491	0
Legislative Reference Service	1,909,679	200,093	1,515,853	195,357	1,691,240	195,000	1,467,353	195,000
Legislature	24,405,045	0	26,000,257	0	24,223,449	0	19,229,791	0
Legislature - Poverty Commission	7,217	0	0	0	0	0	0	0
Speaker of House	2,615,301	0	2,700,272	0	1,356,351	0	1,200,958	0
Office of the President Pro Tempore	1,591,934	0	1,538,225	0	1,231,860	0	964,762	0
Total Legislative	41,061,314	6,011,268	41,960,568	5,748,451	43,129,850	1,237,863	30,921,496	1,237,863
II. Judicial								
Court of Civil Appeals	3,898,533	0	3,796,502	0	4,173,203	0	3,590,637	0
Court of Criminal Appeals	4,329,444	0	4,056,410	0	4,165,115	0	3,798,357	0
Judicial Inquiry Commission	525,117	0	535,380	0	635,283	0	457,217	0
Judicial Retirement Fund	2,264,074	0	2,647,793	0	2,361,005	0	2,361,005	0
Supreme Court	11,204,914	0	11,206,489	0	10,566,537	0	9,528,755	0
Supreme Court Library	726,518	0	686,965	0	1,123,552	0	700,290	0
Unified Judicial System	92,337,007	77,535,326	92,337,007	83,620,573	126,547,324	80,414,013	95,702,372	80,414,013
Total Judicial	115,285,607	77,535,326	115,266,546	83,620,573	149,572,019	80,414,013	116,138,633	80,414,013
III. Executive								
Accountancy, Board of Public	0	1,223,403	0	1,445,710	0	1,475,954	0	1,475,954
Adjustment, Board of	1,255,817	0	263,098	0	1,017,107	0	250,892	0
Ag & Cons Development Comm	251,554	694,170	237,719	0	646,360	0	225,833	0
Agriculture Museum Board	16,143	0	42,591	0	100,912	10,000	0	10,000
Agriculture & Industries, Dept	9,625,974	23,808,173	8,801,446	28,816,383	10,219,688	29,672,336	8,361,374	29,672,336
Alabama Trust Fund	10,081,737	0	74,400	0	51,700	0	8,265	0
Alcoholic Beverage Control Bd	0	69,958,385	0	77,334,733	0	76,123,453	0	76,123,453
Architects, Board for Reg of	0	502,030	0	538,000	0	505,000	0	505,000
Archives and History	2,155,105	203,866	1,753,240	405,000	2,101,346	450,000	1,664,750	450,000
Assisted Living Administrators	0	70,176	0	106,400	0	106,400	0	106,400
Athlete Agents Commission, Alabama	0	51,471	0	51,623	0	51,623	0	51,623
Athletic Commission, Alabama	0	99,837	0	205,500	0	205,500	0	205,500
Athletic Trainers, Board of Reg	0	61,974	0	75,000	0	80,000	0	80,000
Attorney General, Office of	3,084,000	18,706,176	12,275,000	11,525,000	10,300,000	12,751,546	10,300,000	12,751,546
Auctioneers, Al State Board of	0	161,720	0	165,000	0	195,000	0	195,000
Auditor, State	1,066,922	0	942,125	0	1,017,706	0	760,475	0
Banking Department	0	14,305,037	0	16,749,000	0	15,630,000	0	15,630,000
Bar Association, Alabama State	0	5,898,692	0	6,699,918	0	6,850,000	0	6,850,000
Brierfield Ironworks	0	0	0	0	100,000	0	0	0
Building Commission, State	101,271	1,129,754	0	0	0	0	0	0
Building Renovation Finance Authority	748,435	0	2,061,459	0	2,301,445	0	2,061,459	0
Child Abuse & Neglect Board	85,000	3,290,705	80,325	3,228,498	1,000,000	3,285,000	78,317	3,285,000
Children's Services Facilitation Team	0	304,384	0	547,800	0	547,800	0	547,800
Chiropractic Examiners Board	0	371,094	0	504,000	0	504,000	0	504,000
Choctawhatchee-Pea River Cons	15,614	14,698	45,092	10,000	195,668	10,000	0	10,000
Commerce Department	5,092,470	1,403,762	6,016,269	37,440,567	6,084,998	42,036,938	5,770,000	42,036,938
Conservation, Department of	0	235,696,372	0	146,188,947	0	140,452,366	0	140,452,366
Construction Recruitment Institute, Alabama	0	1,339,838	0	1,750,000	0	1,750,000	0	1,750,000

Source: Alabama Dept. of Finance, Executive Budget Office

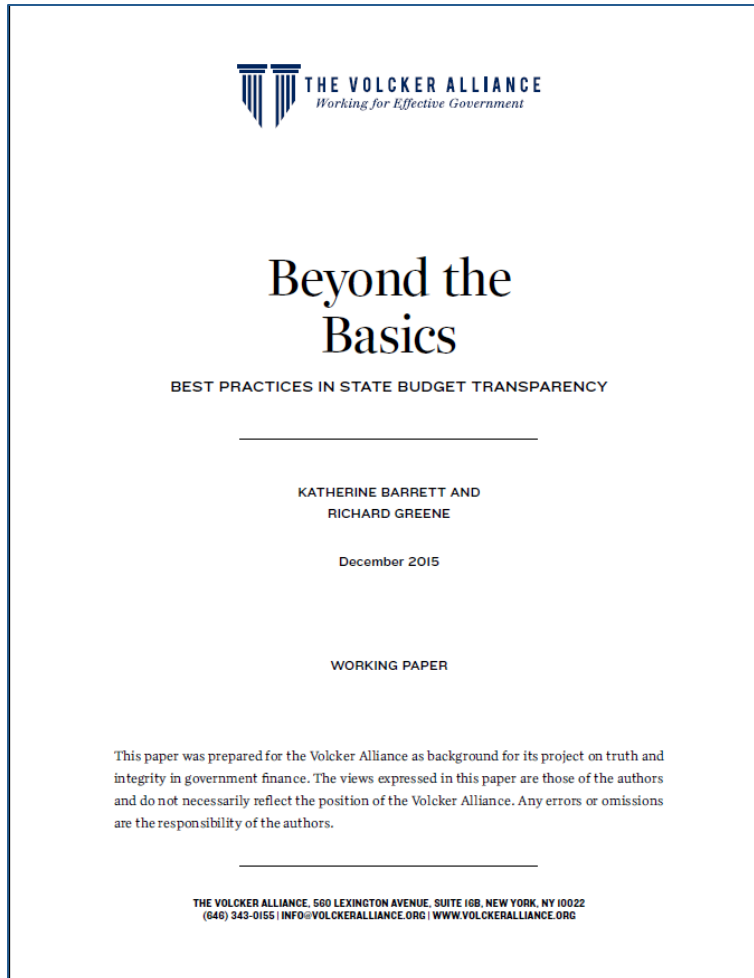
CA 2016-17 Budget: First Word Is a Narrative



Source: California Dept. of Finance

Budget Transparency Principles

Download the working paper at <http://tinyurl.com/znqr79h>



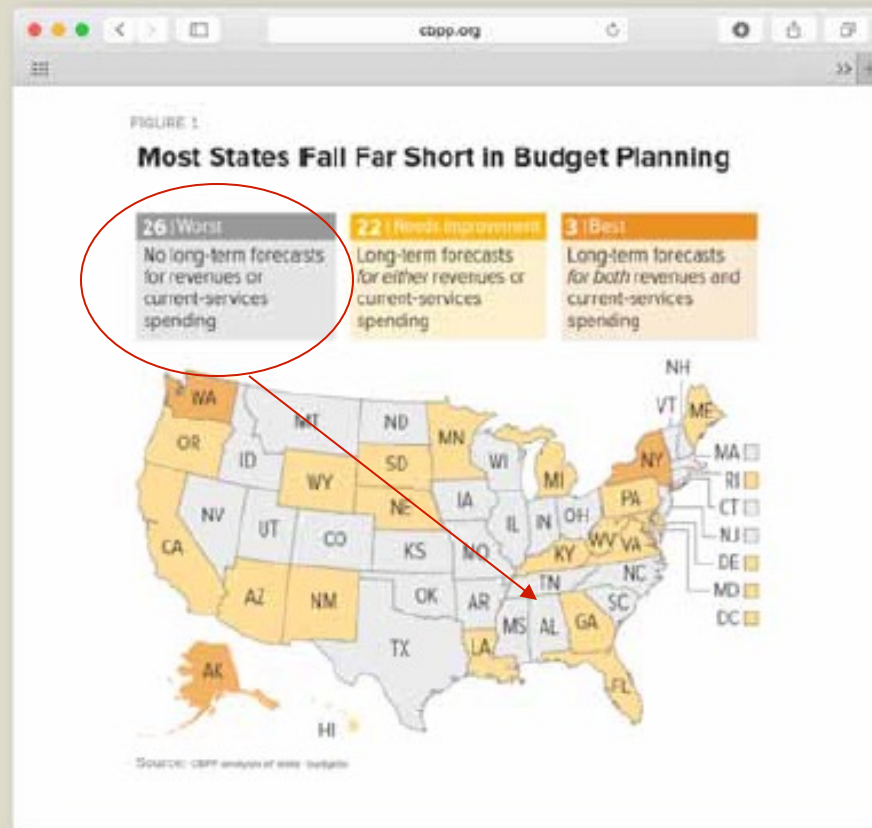
10 Best Practices for Budget Transparency

- *Issue for all states: Inadequate practices vs. inadequate disclosure*
- *Principles for Better Disclosure:*
 - Clearly present one-time revenues/impact on budgets
 - Provide multiyear projections for revenues/expenditures
 - Disclose impact of delayed spending, esp. pensions/OPEB
 - Determine/disclose deferred infrastructure maintenance
 - Provide tax-expenditure information
 - Show current/historical/trend info for debt
 - Disclose impact of state fiscal action on localities
 - Show actual education funding vs. any benchmarks/goals
 - Improve disclosure of tax revenue volatility
 - Include targets for financial goals, such as reserves

And now, for some examples...

BEST PRACTICE Provide Long-Term Revenue and Spending Forecasts

Long-term revenue and expenditure forecasts are vital for policymakers' planning and to better inform the debate over the allocation of scarce resources. But while half of US states publish long-term projections either for revenues or spending for current services, only Alaska, New York, and Washington provide estimates for both. This map from the Center on Budget and Policy Priorities shows which states use forecasting policies that more should emulate.



SOURCE: <http://www.cbpp.org/sites/default/files/atoms/files/10-15-15sfplookingahead.pdf>

BEST PRACTICE Use Consensus Revenue Forecasting

States should use multiple inputs, including forecasts from the executive and legislative branches as well as from independent economists and business groups, to estimate revenue and, as much as possible, insulate the process from politics. In this map, the Center on Budget and Policy Priorities has tracked which states use consensus forecasts.



SOURCE: <http://www.cbpp.org/sites/default/files/atoms/files/10-15-15sfplookingahead.pdf>

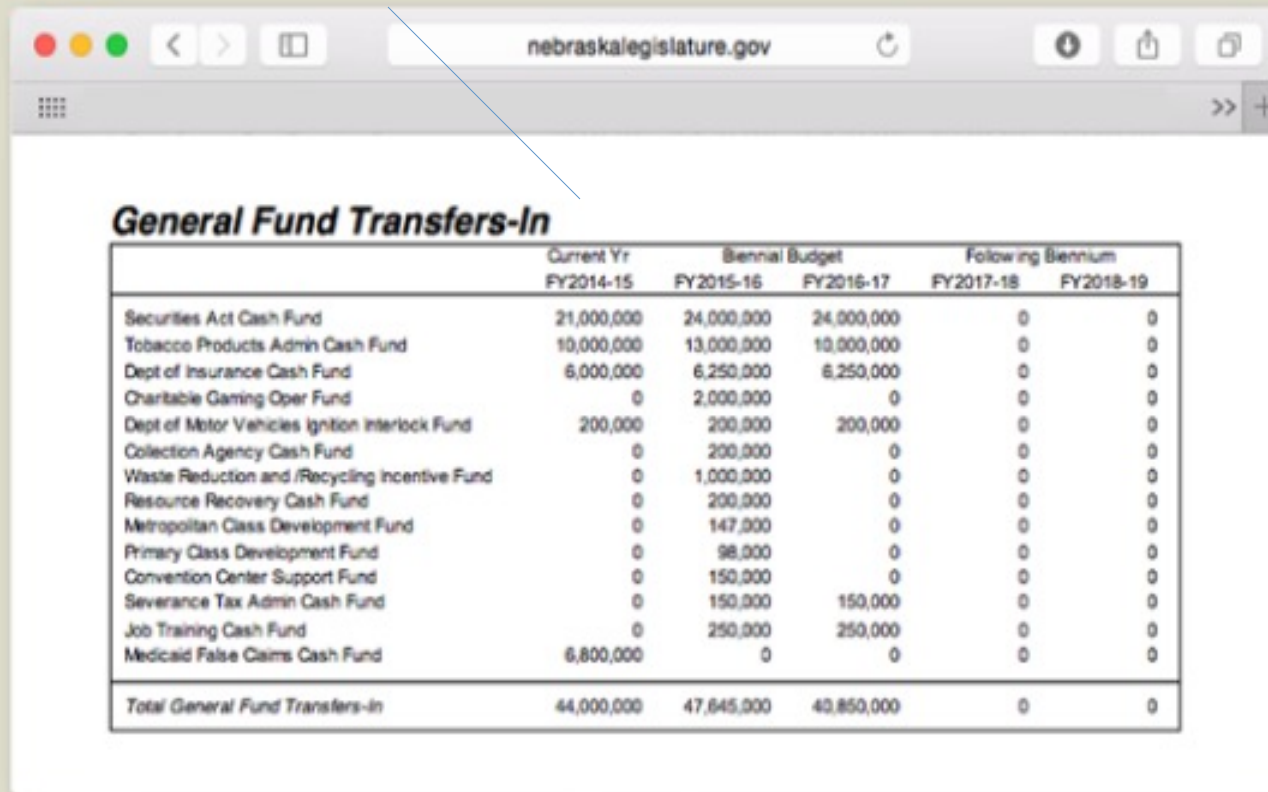
AL Wish List: More Forecasting Disclosure

STATE GENERAL FUND SUMMARY FISCAL YEARS 2011 THROUGH 2016						
	ACTUAL				ESTIMATED	
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Balance to Begin Year	60,101,706	42,008,050	39,720,232	38,136,502	45,339,245	0
Net Continuing Receipts	1,433,717,636	1,384,731,688	1,547,825,390	1,539,851,410	1,572,873,946	2,290,000,000
Other One Time Revenues	72,996,287	288,516,365	166,796,943	204,229,605	256,296,943	0
Tobacco Transfers to the General Fund	10,378,501	10,617,141	10,603,947	10,491,823	10,329,111	10,000,000
Total Available	1,577,194,130	1,725,873,244	1,764,946,512	1,792,709,340	1,884,839,245	2,300,000,000
Less:						
Expenditures and Encumbrances	1,535,186,080	1,686,153,012	1,726,810,010	1,747,370,095	1,884,839,245	2,300,000,000
Balance at End of Year	42,008,050	39,720,232	38,136,502	45,339,245	0	0

Source: Alabama Dept. of Finance, Executive Budget Office

BEST PRACTICE Disclose One-Time Transfers into the General Fund

States should clearly report how much cash is transferred into the general fund from special funds that may not be available in future years. Nebraska's Legislative Fiscal Office discloses this at the end of the state's fiscal biennium.

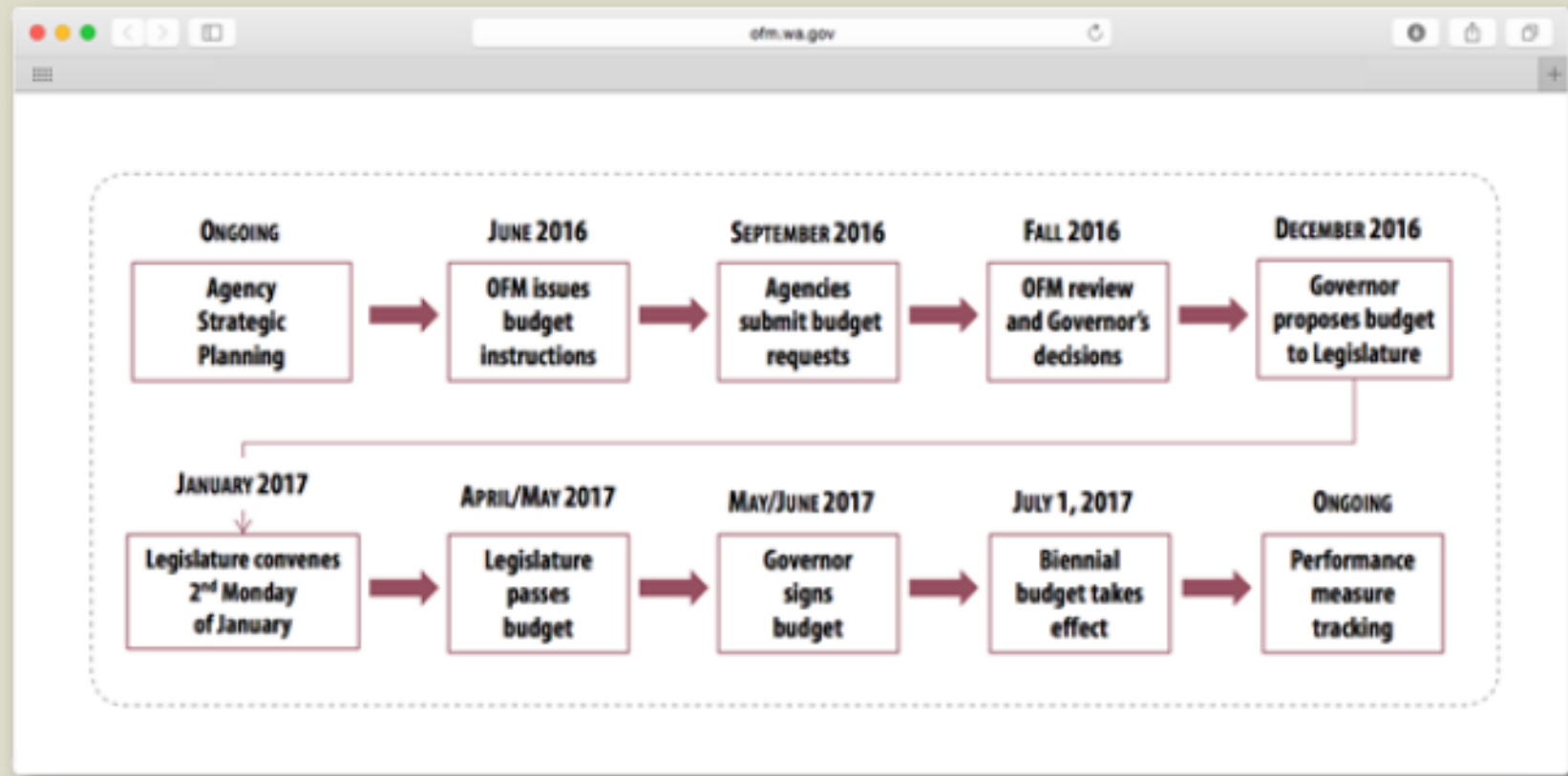


	Current Yr	Biennial Budget		Following Biennium	
	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Securities Act Cash Fund	21,000,000	24,000,000	24,000,000	0	0
Tobacco Products Admin Cash Fund	10,000,000	13,000,000	10,000,000	0	0
Dept of Insurance Cash Fund	6,000,000	6,250,000	6,250,000	0	0
Charitable Gaming Oper Fund	0	2,000,000	0	0	0
Dept of Motor Vehicles Ignition Interlock Fund	200,000	200,000	200,000	0	0
Collection Agency Cash Fund	0	200,000	0	0	0
Waste Reduction and /Recycling Incentive Fund	0	1,000,000	0	0	0
Resource Recovery Cash Fund	0	200,000	0	0	0
Metropolitan Class Development Fund	0	147,000	0	0	0
Primary Class Development Fund	0	98,000	0	0	0
Convention Center Support Fund	0	150,000	0	0	0
Severance Tax Admin Cash Fund	0	150,000	150,000	0	0
Job Training Cash Fund	0	250,000	250,000	0	0
Medicaid False Claims Cash Fund	6,800,000	0	0	0	0
Total General Fund Transfers-In	44,000,000	47,645,000	40,850,000	0	0

SOURCE: <http://nebraskalegislature.gov/pdf/reports/fiscal/2015budgetbrief.pdf>

BEST PRACTICE Present How the State Budget Is Assembled

States should explain clearly how the budget cycle works, including when planning for the next fiscal year starts, when the budget takes effect, and what follow-up moves may be taken. Washington’s flowchart provides a model for others to emulate.



SOURCE: <http://www.ofm.wa.gov/reports/budgetprocess.pdf>

BEST PRACTICE Disclose Deferred Infrastructure Maintenance Costs

Like unfunded pension obligations that eventually will need to be addressed, the cost of deferred maintenance on highways, bridges, and other state infrastructure represents a burden on future taxpayers. It should be disclosed as part of the budget process so informed decisions about allocation of resources can be made. California provides an excellent guide to deferred maintenance in its five-year plans (the most recent estimate was \$66.1 billion for 2015).

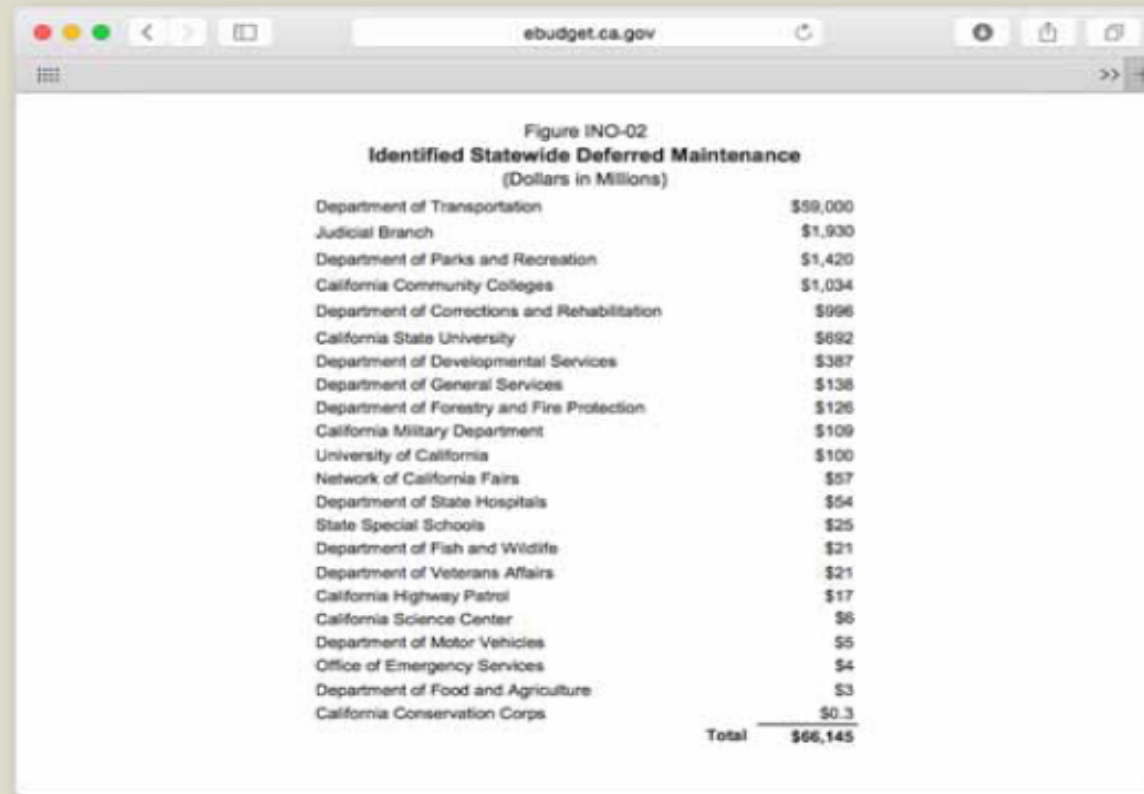


Figure INO-02
Identified Statewide Deferred Maintenance
(Dollars in Millions)

Department of Transportation	\$59,000
Judicial Branch	\$1,930
Department of Parks and Recreation	\$1,420
California Community Colleges	\$1,034
Department of Corrections and Rehabilitation	\$996
California State University	\$692
Department of Developmental Services	\$387
Department of General Services	\$138
Department of Forestry and Fire Protection	\$126
California Military Department	\$109
University of California	\$100
Network of California Fairs	\$57
Department of State Hospitals	\$54
State Special Schools	\$25
Department of Fish and Wildlife	\$21
Department of Veterans Affairs	\$21
California Highway Patrol	\$17
California Science Center	\$6
Department of Motor Vehicles	\$5
Office of Emergency Services	\$4
Department of Food and Agriculture	\$3
California Conservation Corps	\$0.3
Total	\$66,145

SOURCE: <http://www.ebudget.ca.gov/2015-Infrastructure-Plan.pdf>

BEST PRACTICE Present the Cost of Tax Breaks

States should disclose as part of their budget documents the amount of revenue they have given up via tax exemptions and credits offered to businesses and individuals. This brings budgets more in sync with a Government Accounting Standards Board rule for states and municipalities to disclose such tax breaks in their comprehensive annual financial reports, beginning in December 2015. Louisiana makes such a disclosure in its budget.

The screenshot shows a web browser window with the URL doa.la.gov. The page title is "REVENUE LOSS SUMMARY". Below the title is a table with the following data:

Tax type (Listed in order of magnitude)	FYE 6-11	FYE 6-12	FYE 6-13	FYE 6-14 (projected)	FYE 6-15 (projected)
1 Income tax - corporation	\$1,394,651,120	\$1,307,243,108	\$1,302,155,325	\$1,532,064,352	\$1,559,318,062
2 Income tax - individual	\$1,822,494,862	\$1,934,546,190	\$1,961,388,192	\$1,975,223,996	\$2,014,728,476
3 Sales tax	\$2,516,791,839	\$2,481,945,738	\$2,463,650,562	\$2,708,644,734	\$2,762,795,080
4 Natural Resources - revenue	\$431,575,500	\$327,153,045	\$462,897,099	\$472,144,811	\$481,597,718
5 Tax incentives and exemption contracts	\$341,194,562	\$180,614,581	\$319,403,814	\$325,791,890	\$332,307,738
6 Petroleum products tax	\$91,260,450	\$177,268,900	\$73,337,375	\$112,740,000	\$112,740,000
7 Corporation franchise tax	\$7,077,834	\$5,114,549	\$19,812,262	\$20,208,547	\$20,612,677
8 Tobacco tax	\$66,764,695	\$70,811,180	\$75,997,300	\$76,950,000	\$76,950,000
9 Public utilities and carriers taxes (Note 1)	\$1,640,400	\$3,012,800	\$3,046,000	\$3,200,000	\$3,200,000
10 Liquors - alcoholic beverage taxes	\$1,305,900	\$2,522,625	\$2,776,055	\$2,835,000	\$2,835,000
11 Telecommunications tax (Note 1)	\$19,800	\$18,600	\$16,800	\$18,000	\$18,000
12 Hazardous waste disposal tax (Note 1)	\$17,000	\$13,980	\$13,700	\$10,000	\$10,000
13 Inheritance tax	\$80,000	Negligible	Negligible	\$0	\$0
14 Gift tax	\$26,000	Negligible	Negligible	Negligible	Negligible
Total tax revenue loss	\$6,684,952,952	\$7,090,273,291	\$7,084,434,484	\$7,229,837,400	\$7,361,108,711

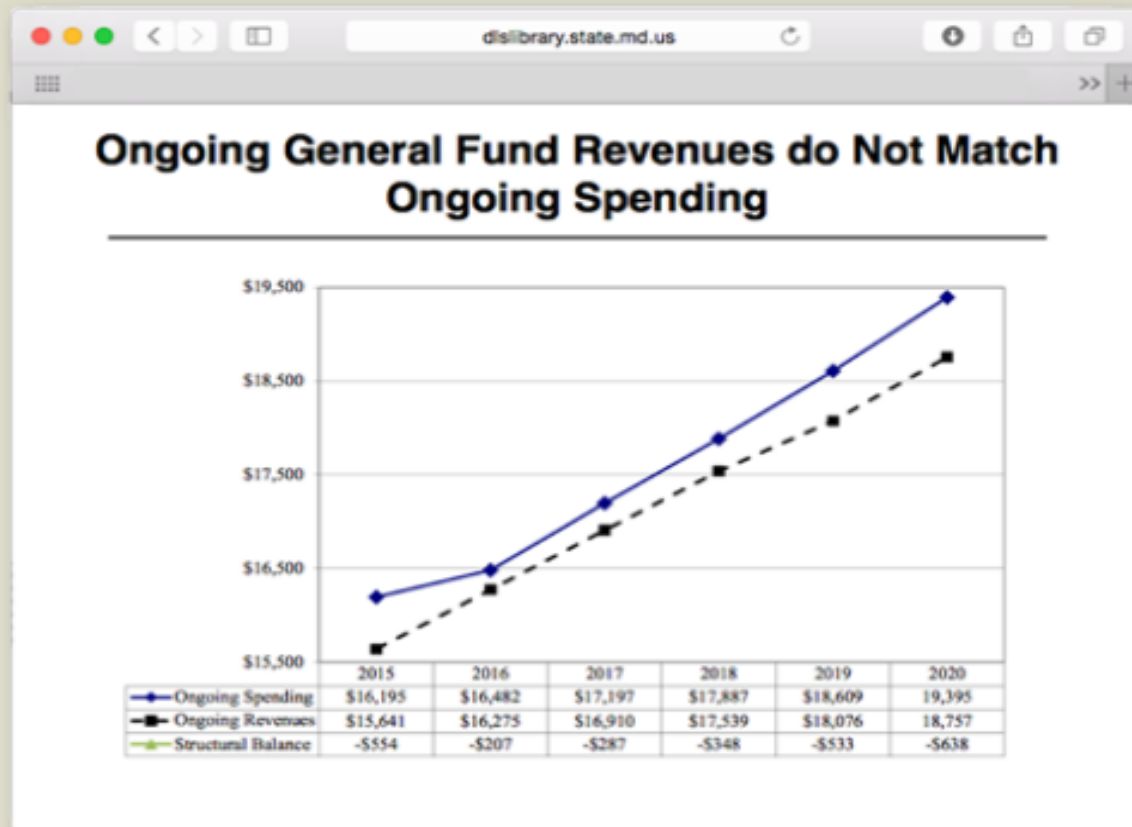
Notes:
1 Included on the miscellaneous tax table.

The "Revenue Loss Summary" is published by the Department of Revenue in the Tax Exemption Budget 2012-2013, and included in the State Budget per R.S. 39:55D.
(To see the complete "Tax Exemption Budget" document, please visit <http://www.treasury.louisiana.gov/collections/Publications.asp>)

SOURCE: http://www.doa.la.gov/bpb/pub/FY15/StateBudget_FY15.pdf

BEST PRACTICE Disclose Long-Term Structural Budget Imbalances

Continuing gaps between a state’s general fund revenues and expenditures may prompt governors and legislators to enact expedient one-time solutions to close deficits instead of considering more fundamental reforms of tax and spending policies. States should estimate and clearly disclose such gaps to better inform the debate over fiscal policy and allocation of resources. Maryland is one such state making this disclosure.



SOURCE: http://dlslibrary.state.md.us/publications/OPA/P/MBO_2015.pdf

BEST PRACTICE Show the Cost of Underfunding or Borrowing to Make Pension Contributions

States should reveal how shortfalls in their annual pension contributions, or any borrowings to finance them, will affect future contributions. In 2010, New York adopted a rule allowing the state and local governments to defer a portion of their annual pension contributions, as required by actuaries, repaying them within 10 years with interest. This table, from the New York State Division of the Budget's midyear update for fiscal 2016, projects the cost of state government deferrals to 2029. The "Normal Costs" column shows actuaries' recommended annual pension contributions. The following columns show the amounts deferred, their cost, with interest, and the resulting total contributions, respectively.

The screenshot shows a web browser window with the URL publications.budget.ny.gov. The table is titled "EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM¹ PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS" and is presented in millions of dollars. The table has five columns: Fiscal Year, Normal Costs², (Amortized)/Excess Contributions, Amortization Payments, and Total. The data is split into "Results" for years 2011-2015 and "Projections" for years 2016-2029. The "Normal Costs" column shows a general upward trend from 2011 to 2015, followed by a slight decline in the projection period. The "(Amortized)/Excess Contributions" column shows negative values (indicating underfunding) for 2011-2015 and 2016, and zero for 2017-2029. The "Amortization Payments" column shows zero for 2011-2015 and positive values for 2016-2029, representing the cost of the deferred contributions. The "Total" column represents the sum of Normal Costs and Amortization Payments.

Fiscal Year	Normal Costs ²	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,543.2	(249.6)	0.0	1,293.6
2012	2,037.5	(562.8)	32.3	1,507.0
2013	2,076.1	(778.5)	100.9	1,398.5
2014	2,633.8	(937.0)	192.1	1,888.9
2015	2,325.6	(713.1)	305.8	1,918.3
Projections:				
2016	1,959.7	(350.4)	389.9	1,999.2
2017	1,768.0	0.0	431.5	2,199.5
2018	1,822.0	0.0	431.5	2,253.5
2019	1,825.6	0.0	431.5	2,257.1
2020	1,878.2	0.0	431.5	2,309.7
2021	1,911.4	0.0	431.5	2,342.9
2022	1,977.8	0.0	399.2	2,377.0
2023	1,993.5	0.0	330.7	2,324.2
2024	2,009.1	0.0	239.4	2,248.5
2025	2,024.4	0.0	125.8	2,150.2
2026	2,039.6	0.0	41.5	2,081.1
2027	2,054.3	0.0	0.0	2,054.3
2028	2,068.9	0.0	0.0	2,068.9
2029	2,107.7	0.0	0.0	2,107.7

¹ Pension contribution values in this table do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension costs in other Financial Plan tables include such pension disbursements.

² Normal costs include payments from amortizations prior to FY 2011, which will end in FY 2016 as a result of early repayments.

SOURCE: <http://publications.budget.ny.gov/budgetFP/FY2016FPMidYear.pdf>

BEST PRACTICE Forecast the Cost of Debt Service

To help policymakers and taxpayers understand the composition and cost of borrowings, states should clearly present information on current and estimated future expenditures for debt service on general obligation and other tax-supported bonds. Minnesota's Commissioner of Budget and Management reports on this to the legislature each February and November.

Fiscal Year	General Obligation Bonds			Other Tax-Supported Bonds	Total
	Various Purpose	Trunk Highway Fund	Subtotal		
2006 actual	\$353,728	\$36,347	\$390,075	\$10,629	\$400,705
2007 actual	\$400,146	\$53,752	\$453,898	\$14,695	\$468,593
2008 actual	\$409,426	\$52,170	\$461,596	\$17,999	\$479,595
2009 actual	\$452,978	\$59,542	\$512,520	\$24,259	\$536,779
2010 actual	\$429,123	\$70,542	\$499,665	\$27,640	\$527,305
2011 actual	\$398,799	\$45,225	\$444,024	\$30,393	\$474,417
2012 actual	\$190,799	\$72,601	\$263,400	\$38,194	\$301,594
2013 actual	\$222,584	\$120,305	\$342,889	\$49,236	\$392,125
2014 actual	\$619,935	\$136,488	\$756,423	\$97,492	\$853,915
2015 forecast	\$623,060	\$154,593	\$777,653	\$147,149	\$924,802
2016 forecast	\$632,991	\$185,953	\$818,944	\$148,481	\$967,425
2017 forecast	\$638,247	\$211,492	\$849,739	\$147,171	\$996,910
2018 forecast	\$592,101	\$217,106	\$809,207	\$146,251	\$955,458
2019 forecast	\$621,471	\$215,579	\$837,050	\$144,894	\$981,944
2020 forecast	\$601,667	\$210,295	\$812,162	\$135,621	\$947,784
2021 forecast	\$629,305	\$203,659	\$832,964	\$135,371	\$968,336

**Totals may not add due to rounding.*

SOURCE: <http://www.mn.gov/nmb/images/DCF-February-2015.pdf>

Valuable Alabama Disclosure: Debt Costs

**STATE OF ALABAMA BONDED INDEBTEDNESS
EXCLUDING REFUNDED BONDS**

REVENUE OBLIGATION BONDS BY DUE DATE (continued)

Fiscal Year	Annual Interest Payments	Annual Principal Payments	Total Annual Payments
2033-34	4,810,550	11,720,000	16,530,550
2034-35	4,270,213	12,265,000	16,535,213
2035-36	3,704,438	9,310,000	13,014,438
2036-37	3,270,750	9,740,000	13,010,750
2037-38	2,816,750	10,195,000	13,011,750
2038-39	2,307,000	10,705,000	13,012,000
2039-40	1,771,750	11,240,000	13,011,750
2040-41	1,209,750	11,805,000	13,014,750
2041-42	619,500	12,390,000	13,009,500
Totals	1,272,777,064	3,792,802,000	5,065,579,064

TOTAL BONDED INDEBTEDNESS BY DUE DATE

Fiscal Year	Annual Interest Payments	Annual Principal Payments	Total Annual Payments
2014-15	189,289,756	261,195,000	450,484,756
2015-16	178,674,631	273,845,000	452,519,631
2016-17	165,977,201	291,945,000	457,922,201
2017-18	152,547,499	296,725,000	449,272,499
2018-19	137,012,864	370,010,000	507,022,864
2019-20	119,112,208	309,315,000	428,427,208
2020-21	104,368,787	322,705,000	427,073,787
2021-22	89,192,713	269,895,000	359,087,713
2022-23	76,266,457	263,860,000	340,126,457
2023-24	63,602,377	259,235,000	322,837,377
2024-25	51,265,732	253,525,000	304,790,732
2025-26	36,744,412	445,630,000	482,374,412
2026-27	24,447,491	367,017,000	391,464,491
2027-28	16,482,210	125,260,000	141,742,210
2028-29	13,354,507	46,550,000	59,904,507
2029-30	11,193,068	38,605,000	49,798,068
2030-31	9,498,740	38,760,000	48,258,740
2031-32	7,773,596	38,315,000	46,088,596
2032-33	5,958,869	29,555,000	35,513,869
2033-34	4,810,550	11,720,000	16,530,550
2034-35	4,270,213	12,265,000	16,535,213
2035-36	3,704,438	9,310,000	13,014,438
2036-37	3,270,750	9,740,000	13,010,750
2037-38	2,816,750	10,195,000	13,011,750
2038-39	2,307,000	10,705,000	13,012,000
2039-40	1,771,750	11,240,000	13,011,750
2040-41	1,209,750	11,805,000	13,014,750
2041-42	619,500	12,390,000	13,009,500
Totals	1,477,543,817	4,401,317,000	5,878,860,817

ii

Principal & Interest,
2014-42=\$5.9 billion

Source: Alabama Dept. of Finance, Executive Budget Office

The *Truth and Integrity* Team

- **The Volcker Alliance** Founded in 2013 by Paul A. Volcker former Federal Reserve Board Chairman and co-chairman with Richard Ravitch of the State Budget Crisis Task Force. Project Director: William Glasgall, former Bloomberg News Managing Editor for States and Municipalities. Project Manager: Melissa Austin.
- **Municipal Market Analytics Inc.** Independent research firm based in Concord, Massachusetts, and successor to Municipal Market Advisors, founded in 1995. www.mma-research.com.
- **Katherine Barrett & Richard Greene** Writing consultants for the report. Columnists and correspondents for Governing Magazine, consultants to Pew Charitable Trusts, senior advisers to Fels Institute at U. of Pennsylvania.

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