

STATE BUDGETS: TRUTH, INTEGRITY, AND CHALLENGES AHEAD

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Budget Research Help



The Volcker Alliance Mission



- *“There is an urgent need to restore trust and pride in the way our public institutions implement policies – from the White House and Congress to statehouses, cities, and towns across our country and in democracies around the world...”*
- *“We need to pay more attention to how things work, to how policies are administered, to how we can combine effectiveness with implementation, to how private initiatives and incentives can be allied with public purpose.”*
- *“We need to proceed with the practical understanding of what needs to be done to implement policy – appropriate administrative arrangements, trained managers, smart technologies and technical expertise, strong incentives for public service rather than private gain – while recognizing the contribution that private markets can provide.”*

- Paul A. Volcker

Volcker Alliance Budget Reform Principles

- Complete budgetary information, including how balance was achieved and whether onetime revenue sources were tapped, 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 methods.
- Recurring costs should be paid with recurring revenue.
- The proceeds of borrowings should not be used to cover operating expenses.
- States should move away from strictly cash budgeting and toward the type of accounting, used in their audited comprehensive annual financial reports, which shows the true present value of future spending obligations.
- States must build rainy day funds to safeguard essential services during economic downturns. The size of the funds should be adjusted for revenue volatility, and they should be replenished consistently after they are tapped.

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

	CALIFORNIA			NEW JERSEY			VIRGINIA		
BUDGET PRACTICE	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	●	●	●	●	●	●	●	●	●

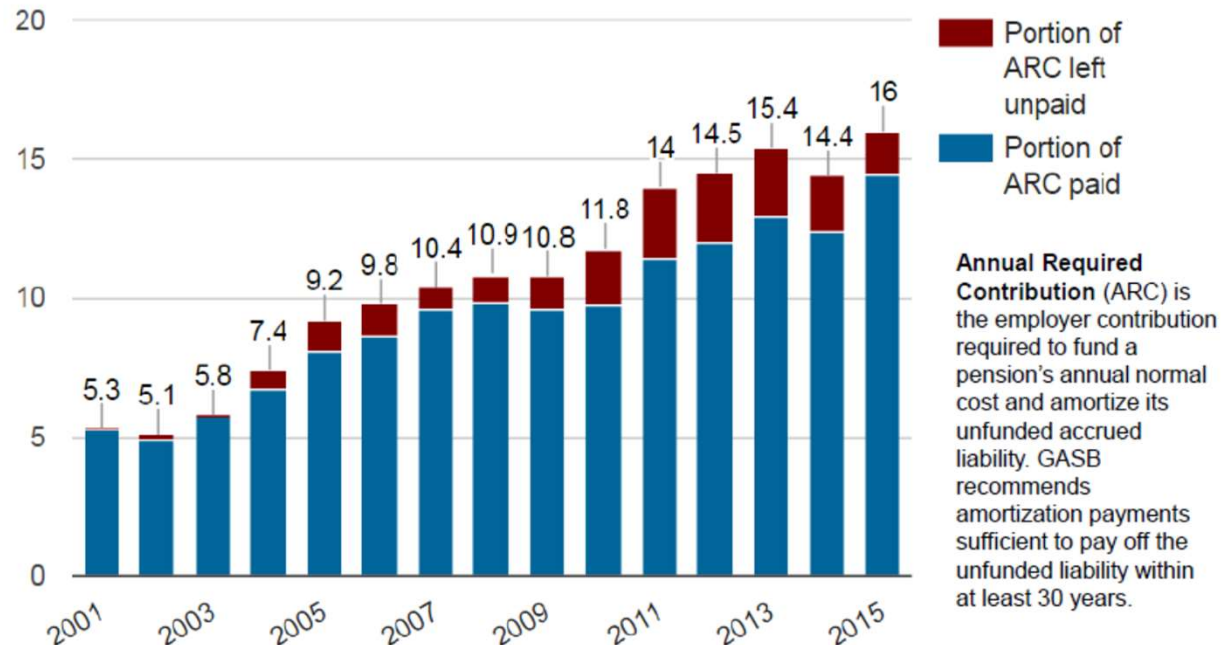
* Principally retiree health care ** California funds include Special Fund for Economic Uncertainties, Reserve for Liquidation of Encumbrances, and Budget Stabilization Account. New Jersey made no rainy day fund contributions in fiscal 2013-15 because state failed to meet revenue threshold, which excludes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

Can States Pay for Promises (1)?

Pressures on states and localities—an example

Employer's Annual Required Contribution and Portion Paid, 2001-2015

Percentage of Payroll

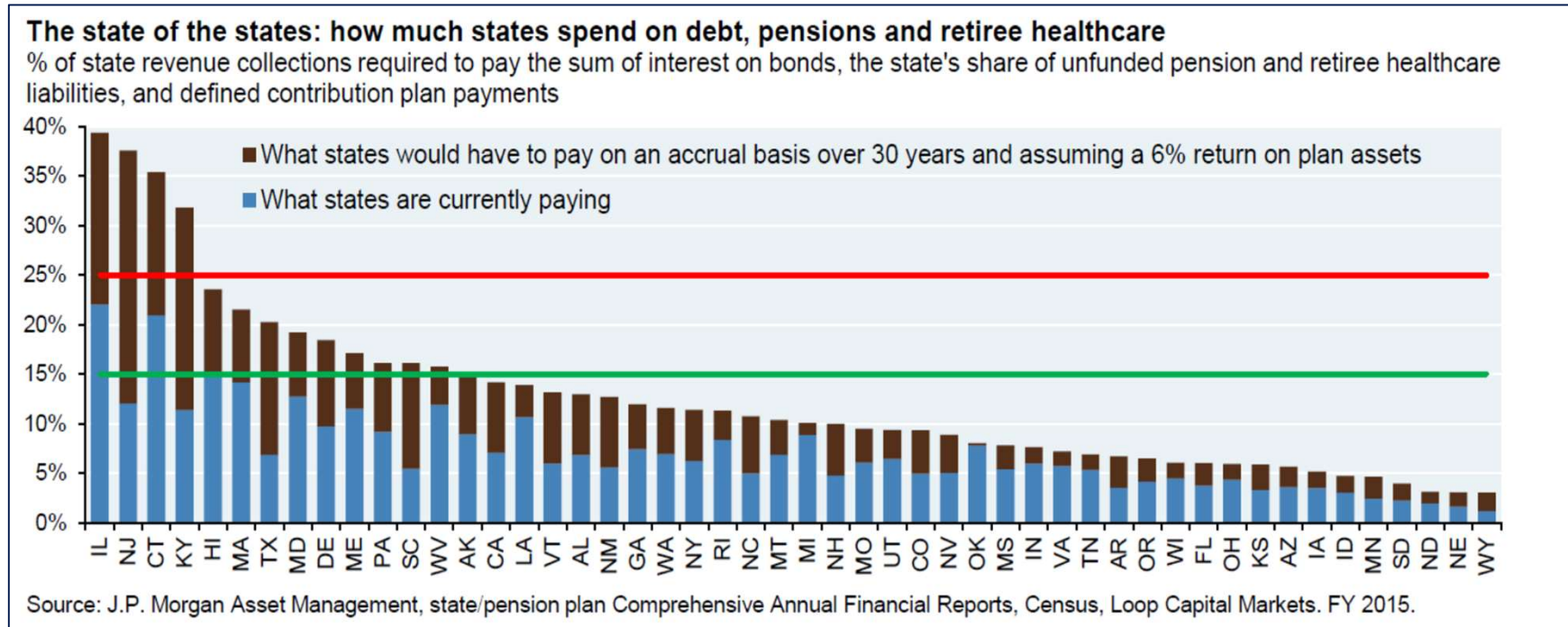


Source: Public Pension Plans Database, <http://publicplansdata.org/quick-facts/national/#costs>

Note: Figure reflects general employee and teachers plans covered by Social Security. The employer's annual required contribution as a percent of payroll is calculated by dividing the dollar amount reported in the schedule of employer contributions by the covered payroll reported in the schedule of funding.

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Can States Pay for Promises (2)?



Questions?



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