Truthful Numbers Key to Holding Nebraska Government Accountable

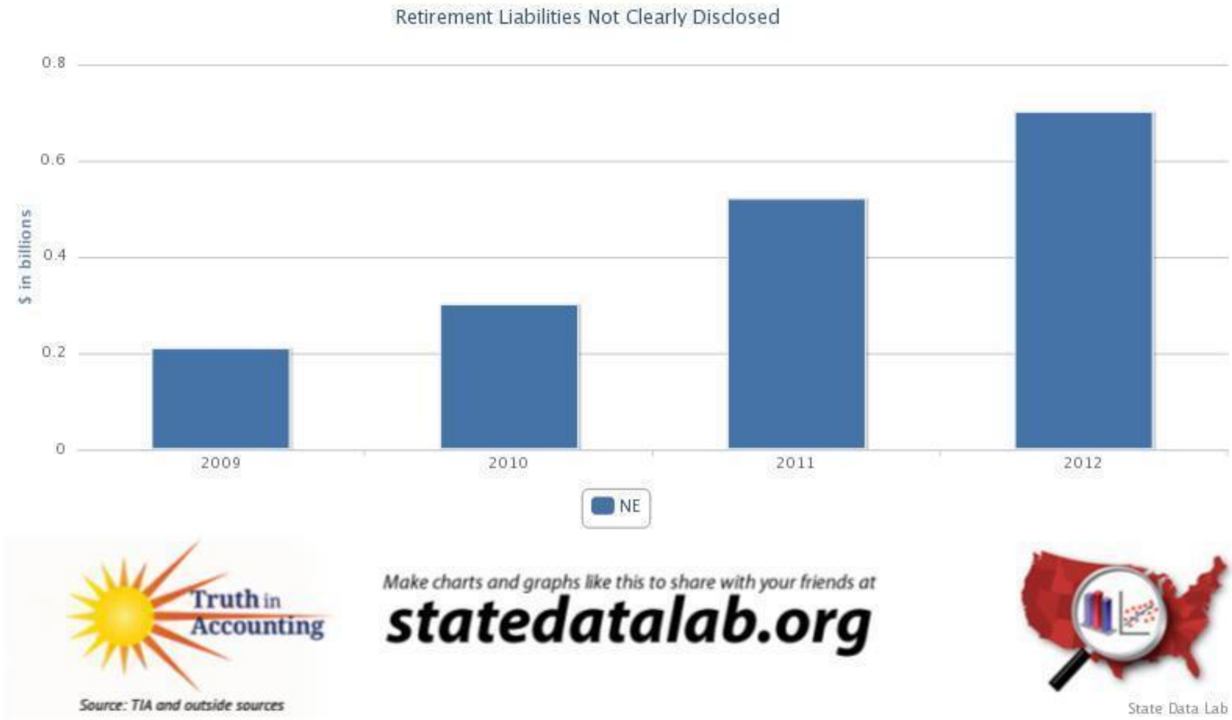
June 05, 2014

Guest Chat by the Institute for Truth in Accounting

Nebraskans just completed a primary election, confirming the cherished right to vote. They and fellow Americans prize this right and the ability to hold their government accountable. But how well were Nebraskans informed when they completed their ballots?

Truth in Accounting recognizes Nebraska as a Sunshine State, and one with more available assets ($3.9 billion) than bills ($2.7 billion). This difference amounts to $2000 for every Nebraska taxpayer. Nebraska is one of only eight states with positive overall finances. Since Nebraska appears successful with its finances, can voters have confidence in their elected officials?

Unfortunately Nebraska, along with other states, has played hide-and-seek with pension reporting. Because of the way government financial statements are organized and the rules regarding government accounting, governments may keep the promises they have made to their employees off-balance sheet, hidden within their financial reporting.[1] Beginning in 1996, the Government Accounting Standards Board asked states to begin disclosing pension liabilities on their balance sheets like businesses had been doing for years.[2] In 2012, Nebraska's financial reports still hid $699 million retirement liabilities from public view.[3] However, there is official interest in promoting greater transparency of these liabilities and the risk they pose to taxpayers. In the 2014 legislative session, the Nebraska Unicameral passed Legislative Bill 759, which included new annual reporting requirements for government entities with defined benefit retirement plans that do not meet actuarial funding requirements.



[Hidden Nebraska Retirement Liabilities]

Nebraska's executive branch has also recently taken advantage of an opportunity to better inform Nebraska citizens. For the fiscal year ending in June 2013, the State Accounting Division met the 180-day timeline between the close of its fiscal year and release of its 2013 Comprehensive Annual Financial Report (CAFR).[4] The previous year, Nebraska had published its report 200 days after the fiscal year-end,[5] failing to join the 26 other states that managed to report their results within the 180-day goal.

The timeliest states—Utah (111 days), Washington (138 days), and Michigan (151 days)—published their CAFRs well before the 180-day deadline. The worst state, New Mexico, took 426 days, over a year after fiscal year end, to publish its CAFR. To be able to cast an informed ballot, Nebraska voters must have timely, truthful, transparent information well before the election. Legislators also need to know the state's prior results before developing the next budget or considering requests for supplemental funding over the course of the budgeted biennium.

Kudos to Nebraska for maintaining enough assets to cover liabilities, including retirement promises. The state is well positioned to improve its timeliness and truthful disclosure to its citizens. Nebraska should promote further transparency by clearly reporting all retirement promises, including the $699 million in retirement liabilities not clearly disclosed in financial reports. Nebraska should also continue to improve timeliness of financial reports, enabling voters to make informed decisions when voting for an issue or official.

[1] *The 2012 Financial State of the States*. Truth in Accounting. 2013. pp. 16–17. [http://truthinaccounting.org/uploads/files/2012%20FSOS%20Body.pdf]

[2] "Statement 25: Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." Governmental Accounting Standards Board. November 1994. [https://mail.platteinstitute.org/exchweb/bin/redir.asp?URL=http://www.gasb.org/cs/ContentServer?c=Pronouncement_C%26pagename=GASB%252FPronouncement_C%252FGASBSummaryPage%26cid=1176156677465]

[3] "Appendix V: Schedule of Reported Vs. Unreported Retirement Liabilities." *The 2012 Financial State of the States*. Truth in Accounting. 2013. [URL: http://www.truthinaccounting.org/uploads/files/2012%20FSOS%20Appendices_1.pdf]

[4] "Comprehensive Annual Financial Report." State Accounting Division. State of Nebraska. 2013. [URL: http://das.nebraska.gov/accounting/cafr/cafr2013.pdf]

[5] "Comprehensive Annual Financial Report." State Accounting Division. State of Nebraska. 2012. [URL: http://das.nebraska.gov/accounting/cafr/cafr2012.pdf]