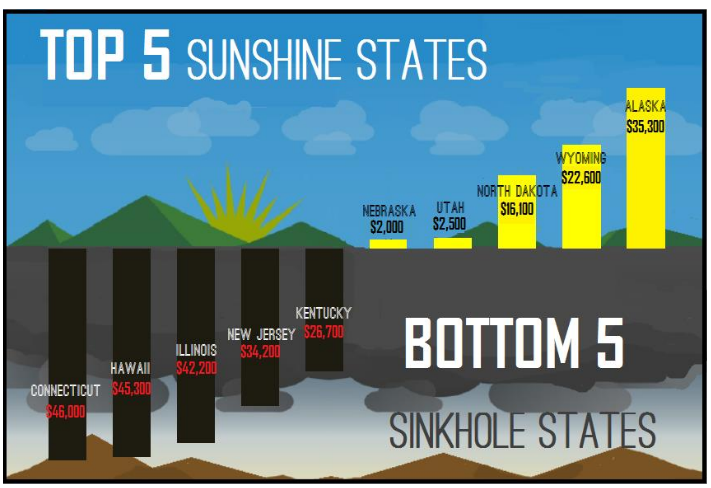
Sunshine in Nebraska

Guest Chat by State Data Lab

Since 2009, Truth in Accounting (TIA) has compiled a report on all fifty state governments, analyzing how the information they report compares to the actual financial condition of the state. The states are then ranked; the worst five states are the 'Sinkhole' States, and the five best states are the 'Sunshine' States. Nebraska has been a Sunshine State every year.

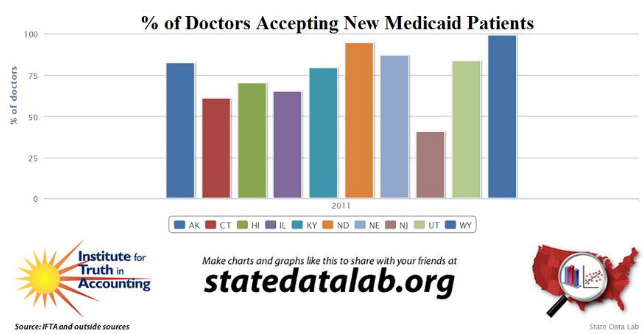
States are ranked by their Per Taxpayer Burden or Surplus. Nebraska is a member of a small minority; in 2009, it was one of only four states to have a surplus. By 2012, just four more states joined their ranks. The rest of the states have Taxpayer *Burdens*, meaning their liabilities and bills exceed the amount of assets available to pay them, and the remaining debt is left for the citizens.



Most state debt burdens are related to unfunded pension and retirement healthcare liabilities. In 2012, the average amount of retirement liabilities not clearly disclosed by the states was over $19 billion, signaling a severe lack of transparency. The worst states, California and Illinois, had $112 billion (vs. $17B reported) and $106B (vs. $33B reported) respectively. Nebraska is one of the few states that does not provide retirement health benefits, which represent an even larger portion of most states' debt than pensions. It is also one of the states with the lowest amounts of debt not clearly disclosed for the last four years, with "just" $700 million of hidden pension liabilities in 2012.

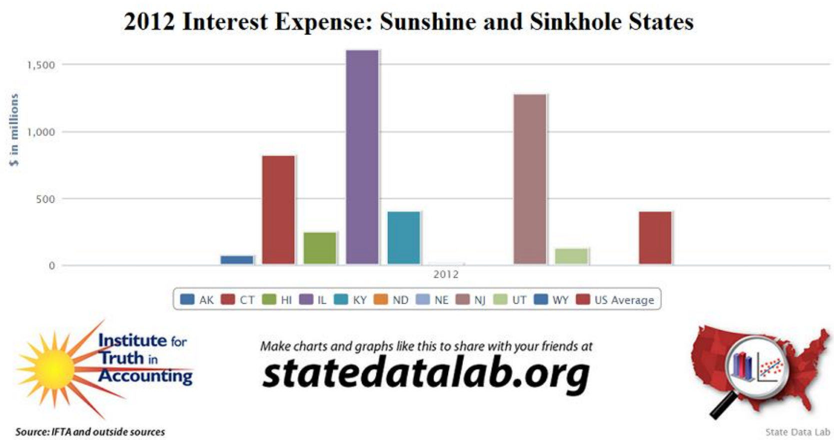
TIA has found relationships between states' Taxpayer Burdens and important metrics that affect the quality of life for citizens. According to Ballotpedia's Quality of Life Index (an aggregate of 19 different indices), Nebraska is near the top, ranked number 4 of the fifty states.

TIA has also found that states with high taxpayer burdens tend to have fewer doctors accepting new Medicaid patients. This may indicate that these states are either slow to pay or not paying doctors for their services. As a result, a state's debt may affect the ability of the needy to get medical care. The average percent of doctors accepting new patients in the Sunshine States is 89.3%, while in the Sinkhole States it is only 63%. 87% of doctors in Nebraska still accept new Medicaid patients, far above the nationwide average of 75.7%.



High taxpayer burdens also impact a state's ability to borrow at an affordable rate, due to the higher perceived risk of default. This leaves already struggling states with yet another growing expense which takes money away from programs and services for citizens.

In Illinois, a Sinkhole State, interest expense for 2012 was over $1.6 billion ($400 per taxpayer), far above the US average of $398 million. Illinois net revenue (yearly income v. yearly expenses) for 2012 was negative, also by $1.6 billion. This means the state must continue borrowing at high rates to cover normal operating expenses as well as interest on past debt, causing it to spiral further and further into the red. The situation is similar in the other Sinkhole States (New Jersey's net revenue in 2012 was negative $5.4 billion). In contrast, Nebraska's interest expense for the year was just $1.2 million ($2 per taxpayer). This not only reflects the credit-worthiness of the state, but also the fiscal responsibility of the state government.



Overall, the financial climate is sunny in Nebraska, and the state is in a strong financial position. However, $700 million of unfunded pension liabilities still are not clearly disclosed (an issue soon to be addressed under new accounting standards). To demonstrate its commitment to transparency, Nebraska should clearly disclose all liabilities to citizens. Timeliness is also an important aspect of financial reporting, and Nebraska still has room for improvement in this area. Nebraska missed the 180 day deadline for states to release their financial statements, reporting 200 days after 2012 fiscal year end. With little effort, Nebraska could become a leader in truthful, timely, transparent, government accounting. In 2015, new rules set by the Government Accounting Standards Board will come in to effect, requiring states to account for retirement liabilities. Nebraska could be one step ahead of the game and be an early adopter of the new standards.