THE VOLCKER ALLIANCE

**(Draft: Not for Quotation)**

# *Truth and Integrity in State Debt Issues & Management*

Merl Hackbart
and
Rhonda Riherd Trautman

*Martin School of Public Policy and Administration*
*University of Kentucky*

*Contributions and Research:*
*Nate Kratzer, Ph.D. Student, Martin School of Public Policy and Administration*
*Jason Ross, Ph.D. Student, Martin School of Public Policy and Administration*

DRAFT

**Truth and Integrity in State Debt Issues & Management**

**Abstract:**

*The assessment of the financial condition of the states is a complex and challenging undertaking as the term "financial condition" encompasses both multiple financial facts, as well as financial management policies and processes which may distort reported data. Differential financial management policies and processes may limit the transparency of longer term trends which are important determinants of a state's true financial condition. As such, a state's financial management policies and practices can impact the truth and integrity of a state's reported financial condition. Of particular concern is that a state's reporting of a financially balanced budget may not reflect underlying longer term financial trends such as unfunded liabilities and budget structural balance issues. This study focuses on determining budget related debt policies and processes which can impact financial transparency. This paper reports on the results of a survey of the 15 southeastern states' use of debt financing policies and procedures, particularly thosethat could impact the transparency of a state's overall financial condition. Recent state debt levels and GFOA suggested debt management policies are presented to provide context for the study of the debt policies and strategies for the southeastern states.*

**SECTION I: Role of Debt in State Financing**

The assessment of the financial condition of the states is complex and challenging as the term "financial condition" encompasses both multiple financial facts and trends, and is dynamically impacted by financial management policies and processes. While current and recent financial facts and trends are important determinants of a state's financial management, state policies and processes can impact the transparency of longer term trends and issues. Among the issues that may not be routinely reported on by the states are indicators of unfunded liabilities, structural imbalances and deferred infrastructure maintenance.

The current study focuses on an important aspect of the assessment of the state's financial condition considering factors which may impinge on the "truth and integrity" or "transparency" of state budgeting. In other words, do state budget and financial disclosure processes provide a transparent view of a state's financial condition? Or, do they provide clarity regarding how outstanding debt, use of debt financing to meet short term budget shortfalls or other actions may , short term may impact the "true" financial condition of a state. . The specific focus on state budgeting, as an indicator of state financial transparency, is useful as many financial management decisions are brought together in the development, approval and execution of a state's budget.

State constitutional or statutory balanced budget requirements provide an important expenditure limitation for managing a states' financial condition. However, balanced budgets, alone, do not indicate state's true overall financial condition. While a legislatively approved balanced budget may indicate a balance of anticipated current revenues and appropriations, changing economic conditions may lead to declining revenues and an unbalanced budget when a budget is executed. In such situations, states meet balanced budget requirements by a series of actions such as special sessions to reduce appropriations, inter-fund transfers, delayed payments, short or long term borrowing and other practices.

U.S. Senator John Cornyn stated while commenting on the prospects of the federal government pursuing a balanced budget amendment as part of the debate regarding raising the federal debt limit, "[S]tates already have some form of a balanced budget amendment in their state constitutions and we can draw from the experience of the states in drafting an amendment appropriate for the federal government. [Cornyn, 2010]" While Sen. Cornyn's statement appears to infer that a balanced budget requirement would enhance the fiscal health and a sounder federal government financial condition it may or may not be the case. Because, while such actions may permit a state to meet the technical requirement for an end of year balanced budget, debt and other financial  policies and processes may mask the longer fiscal health of the state.

To a significant degree, the assessment of the financial health of state governments is intertwined with the "truth and integrity of state budgeting". To the degree that state constitutional or statutory balanced budget requirements reflect the "true equality" of fiscal year recurring revenues and expenditures, the balanced budget requirement is a useful first step in assessing a state's fiscal condition. However, a financially balanced budget is only a good partial indicator of a state's financial condition if a state has not utilized one-time budget balancing actions to comply with its constitutional or statutory balanced budget mandate.

The use of a balanced budget as an indicator of the state's financial condition is also limited by the fact that state balanced budget requirements vary for the states. NASBO (National Association of State Budget Officers), in 2008, reported the following state balanced budget requirements: 1) 44 states require their Governor to submit a balanced budget; 41 states require their legislatures to pass a balanced budget and 37 states require their Governor to sign a balanced budget [Garrett, 2011]. The same report reported that only two states, Indiana and Vermont, don't have one of these requirements. It is noted that these balanced budget requirements refer to the development and passage of state budgets, rather than end of fiscal year requirements. However, most states tend to act as if the balanced budget requirement applies to the end of the fiscal year even though their technical balanced budget requirement may refer to a different point in the budgeting process.

As noted with changing economic conditions, end of fiscal year balances are a major financial management challenge for the states and states have utilized a variety of techniques and processes to balance their budgets such as deferring expenditures, fund transfers, short term borrowing,  and using rainy day fund funds among various processes to insure end of fiscal year balanced budgets. Incidentally, the NASBO also indicated that only 7 states are allowed to carry negative balances into the next fiscal year.

While the assessment of the financial condition of the states has principally focused on the state's annual or biennial budgets, the "use" of debt financing has also emerged as a major issue in the assessment of state finances. Due to decreased federal financial support, a need to replace aging infrastructure, the need to meet growth supporting infrastructure and the periodic use of short term debt financing of budget shortfalls, concern is also being raised about the accumulation of outstanding state indebtedness and its impact on the overall financial sustainability of the states. In addition to concerns about overall debt levels, concerns have also been raised about how states manage their debt levels and debt related processes. So the increase of state debt outstanding and how debt financing is used by the states has become an issue for citizens, public officials, the rating agencies and the media [Bahl and Duncombe, 1993].

More recent concerns have emerged regarding the states use of debt financing to supplement state pension funds. The financial condition of the state pension funds was negatively impacted by the downturn of the financial markets in the past decade [Peng, 2013, p.311]. Also, due to the decline of state revenues during the recent recession, some states failed to meet actuarially required contributions to their state pension funds. In an effort to restore the financial status of their pension funds, some states chose to issue bonds to supplement their pension fund reserves. While these instances are rare, pension fund bond issues add to state outstanding debt and increase debt service required appropriations for the states that have used this policy.

DRAFT

Therefore, in addition to concerns about increasing debt levels, state governments face a multiplicity of issues regarding the use of debt financing. By shifting the financing of infrastructure to debt financing, current of state budget expenditure may be reduced, and balanced, but extending the cost of capital investments, while consistent with public finance principles, impacts the longer term financial condition of the states.

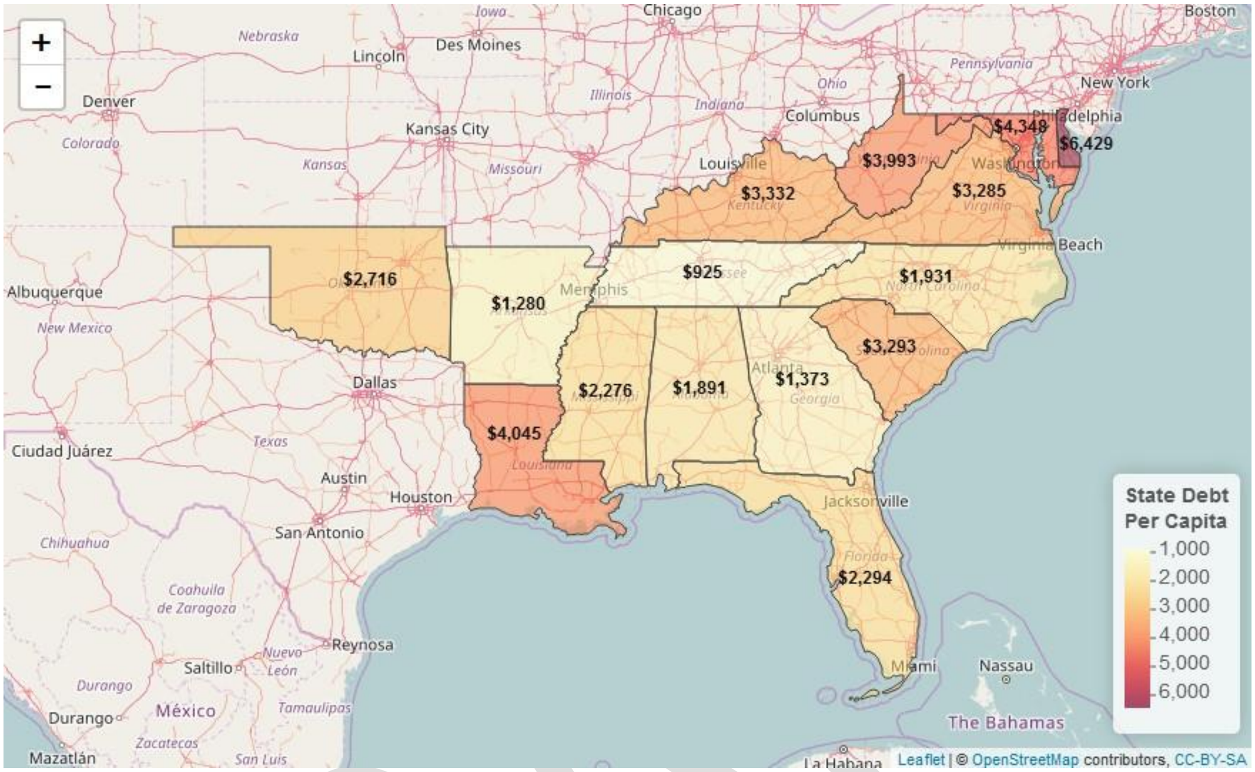
**The Use of Debt Financing by the states: An Overview**

The Census of Governments reports that the states had a total of $1,149,147,779 of outstanding short and long term debt in 2014 [United States Census Bureau web site—reported in July, 2016] and the states spent $47,918,888 on the debt service to support the $1.1 trillion of state debt. During the same year, states reported capital outlays of $104,187,520 (equal to about 9% of total outstanding debt). Meanwhile, State Budget Solutions estimated total state debt was in 2011 over $4.2 trillion if general government bond based debt was added to pension obligations, unemployment insurance loans and budget deficits.

**State Debt Per Capita**

The Tax Foundation's estimates of state debt per capita in 2011 ranged from a low of $925 in Tennessee to a high of $11, 309 in Maine. See map of state debt per capita income of the fifteen (15) states included in this study on the following page.

**State Debt per Capita relative to Income for the 15 states in the Southeastern Region**




## State Debt Financing Guidelines

In 1998, the National Advisory Council on State and Local Budgeting published by GFOA provided recommended budget practices for state and local governments [“Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting”, GFOA, June, 1998]. Among the Council’s array of recommendations were several relating to state governments use and management of state capital investment and use of debt financing. Included in the capital budgeting recommendations were the following guidelines: 1) assess capital assets, and identify issues, opportunities and challenges 2) develop policies and plans for capital asset acquisition, 3) develop a capital improvement plan, 4) develop a policy on debt issuance and management, 5) develop a policy on debt level capacity, 6) develop options for meeting capital needs and evaluate alternatives, and 7) and conduct long-range financial

DRAFT

planning among other suggestions and recommendations to enhance state budget and financial management policies and practices. These GFOA recommendations provide a useful standard in assessing the debt policy and processes of the studied states.

**SECTION II: The Research Approach**

Given the concerns that have emerged regarding the growth of state debt obligations and the role of debt financing in state budget processes, the focus of the current survey research reported on in this paper was designed to determine the debt issuance and management policies and practices of the of the 15 southeastern states. Because the overall study on policies and practices related to or impacting state budgeting, the survey of debt management focused on three major debt issues are related to state budgeting. These areas of inquiry were: 1) one time debt related actions used by the states to manage their financial and budget condition, 2) pension and OPEB funding with bond issues and 3) public disclosure of a state's financial and debt position.

The study of three fiscal year budget periods (FY15, FY16 and FY17) for the 15 southeastern states was conducted by reviewing state CAFRs (Comprehensive Annual Financial Report), related federal and state reports, media releases and other publicly accessible data and information. Data and information for FY17 is preliminary and the study only includes information on state policies and actions as of October 2017. Follow-up calls and contacts were used to verify information and circumstances surrounding certain state debt related policy and debt issuance actions. The responses are reported in three tables which follow along with details explaining and clarifying responses from some of the states.

DRAFT

**SECTION III: Debt Management Policies and Processes**

**1. One-Time Actions:**

The survey considered three "one time" state debt policies which have received attention as states dealt with the recent recession or had to deal with modest revenue growth. The possible "one time" actions reviewed in this study were:

- ✓ Does the state use borrowed funds to fund recurring or operating program expenses?
- ✓ Does the state utilize a debt refinancing action referred to as "scoop and toss?" Scoop and toss refers to a state refinancing strategy when a state refinances bonds and lengthens bond maturities to reduce current fiscal year debt service which is then used to fund operating programs and
- ✓ Does the state issue "premium" bonds to realize upfront cash which can then be used to finance current operating programs.

As indicated in Table 1, the survey found that the southeastern states have similar policies regarding these three debt policy issues. 20% percent of the states reported they have used borrowing to pay for operating expenditures while only 7% (or one state) indicated that they utilized a "scoop and toss" strategy to provide additional funds for current operating programs. Meanwhile, 23% of the group or 4 states issued "premium" bonds to produce one-time revenues which could be used for other budgetary priorities.

As noted, the study found states often rely on borrowing to cover recurring expenditures, especially in the short-term. Arkansas, Oklahoma, and Louisiana utilized short-term notes for that purpose. Meanwhile, Kentucky issues short term notes, liquidated within the same fiscal year, as part of their cash management strategy as early in the fiscal expenses tend to exceed revenues during the first quarter of the fiscal year. The notes are than liquidated with excess quarterly revenues later in the fiscal year.

"Scoop and toss" refinancing's were rarely used by the states during the three fiscal year period. Louisiana was the only state that utilized scoop and toss debt refinancing practices. However, Oklahoma's refinancing actions blurs the line between standard refunding's (to take advantage of lower interest rates) and scoop and toss which increases future debt service obligations.

As shown in Table 1, several states issued premium bonds when they refinanced some of their bonds. The premium bond issues yielded one-time cash, normally deposited in their general fund, to pay for recurring expenses during one fiscal year. Included in the group of states using this bond refinancing strategy were Arkansas, Louisiana, Maryland, and Oklahoma. It is noted that Maryland pays general obligation debts with a bond annuity fund, however bond premiums are often transferred from the general fund into the bond annuity fund.

TABLE 1: One Time Actions

| STATE | FY | Does the state use borrowed proceeds to pay for recurring expenditures? | Does the state use "scoop and toss" refinancings to raise funds for current expenditures and lengthen maturities? | Does the state use bond premiums or other upfront cash flows upon refinancing to pay for recurring expenditures? |
|---|---|---|---|---|
| ALABAMA | 15-17 | N | N | N |
| ARKANSAS | 15-17 | Y | N | Y |
| DELEWARE | 15-17 | N | N | N |
| FLORIDA | 15-17 | N | N | N |
| GEORGIA | 15-17 | N | N | N |
| KENTUCKY | 15-17 | N | N | N |
| LOUISANA | 15-17 | Y | Y | Y |
| MARYLAND | 15-17 | N | N | Y |
| MISSISSIPPI | 15-17 | N | N | N |
| NORTH CAROLINA | 15-17 | N | N | N |
| OKLAHOMA | 15-17 | Y | N | Y |
| SOUTH CAROLINA | 15-17 | N | N | N |
| TENNESSEE | 15-17 | N | N | N |
| VIRGINIA | 15-17 | N | N | N |
| WEST VIRGINIA | 15-17 | N | N | N |
| Note: Includes all state data currently available. Some states' FY 17 is not available at this time. | | YES = 20% | YES = 7% | YES = 23% |

**2. Pension/ OPEB Funding:**

As reported in a PEW Charitable Trust Pension Center for the States [Issue Brief, June 2012], the gap between state retirement fund assets and obligations was approximately $1.38 trillion in 2010. Of the $1.38 trillion retirement fund deficit, $757 billion was pension fund benefits and $627 billion involved health care retirement benefits. The state retirement fund deficits, which were impacted by the fund investment losses of 2008, were also exacerbated by the states inability to fund the actuarially required contribution because of state revenue declines of the recent recession. While states have enacted reforms to begin to manage their retirement fund deficits, pension and OPEB (Other Public-Employment Benefits), state efforts to meet their pension and OPEB obligations remain challenging for states.

This study considered three policy and practice issues related to the financing of state pension and OPEB obligation financing which could affect a state's financial condition. These were:

- ✓ Whether the states are fully funding their pension funds actuarially required contribution.
- ✓ Whether the states are fully funding their actuarially required OPEB contribution and
- ✓ Whether the states are relying on short term borrowing or other short term financing strategies to meet their states balanced budget requirements

As a result, many cash-strapped states opted to defer contributions to their retirement systems and failed to meet their states ARC or actuarially required contribution. As shown in Table 2, of the 15 southeastern states, 42% failed to meet their pension fund ARC during the study period. Those states were Tennessee, Oklahoma, Arkansas, Louisiana, Delaware, Maryland, and Virginia. Most of these states have separate pension funds for a litany of government occupations such as: teachers, firefighters, legislators, state police, and the like. Delaware, for example, has nine separate pension funds with only two of them not meeting the required ARC. Also, Table 2 summarizes the Pension/OPEB strategies and policies across states and across fiscal years FY 15, FY 16, and FY 17. The Table highlights variation in strategies across fiscal years observed by state and the pink boxes within the Table highlight states' policy variations during the three-year timeframe of the study.

**TABLE 2: Pensions/OPEB Funding AND Rainy Day/Reserve Funds**

| State | FY | Is the contribution to public-employee pension fund(s) less than 100% of the actuarially required or determined amount? | Is the contribution to public-employee OPEB (postemployment benefits other than pensions) less than 100% of the actuarially required or determined | Is the state increasing its reliance on short-term borrowing or availing itself of access to other short-term funds to manage midyear cash flow inadequacies? |
|---|---|---|---|---|
| ALABAMA | 15-17 | N | Y | N |
| ARKANSAS | 15-17 | Y | Y | N |
| DELEWARE | 15-17 | Y | Y | N |
| FLORIDA | 15-17 | N | Y | N |
| GEORGIA | 15-17 | N | Y | N |
| KENTUCKY | 15 | N | Y | N |
| | 16 | N | Y | N |
| | 17 | N | N | N |
| LOUISANA | 15 | Y | Y | Y |
| | 16 | Y | Y | N |
| | 17 | na | Y | na |
| MARYLAND | 15 | Y | Y | N |
| | 16 | N | na | N |
| | 17 | N | na | na |
| MISSISSIPPI | 15-17 | N | Y | Y |
| NORTH CAROLINA | 15-17 | N | Y | Y |
| OKLAHOMA | 15-17 | Y | N | N |
| SOUTH CAROLINA | 15-17 | N | Y | N |
| TENNESSEE | 15-17 | Y | Y | N |
| VIRGINIA | 15-17 | Y | Y | N |
| WEST VIRGINIA | 15 | N | Y | Y |
| | 16 | N | Y | Y |
| | 17 | N | N | Y |
| Note: Includes all state data currently available. Some states' FY 17 is not available at this time. | | YES = 42% | YES = 86% | YES = 21% |

Indicates states with variation in the policy across the FY 15, FY 16, and FY 17

Pensions aren't the only post-employment benefits that the states have an obligation to fulfill as the states also provide other retirement benefits, particularly health insurance. Twelve of the thirteen states, Oklahoma is the exception, fail to meet the full OPEB ARC. Failure to consistently fund the OPEB ARC can produce long-term financial challenges as they lead to the accumulation of future state financial obligations. For example, Georgia's school OPEB has a funding ratio of less than one percent, while the state OPEB funding ratio is just under three percent. North Carolina's retiree health benefit funding ratio is slightly over three percent. Virtually every state struggles with this issue.

States also use other strategies to manage short-term budgetary shortfalls including the use of short-term borrowing. For example, Louisiana has acquired a series of short-term debt issues, which fluctuate by year, but their short-term debt peaked in 2016, and has generally been higher in the current decade than in the 2000s. The University of North Carolina is technically a component part of North Carolina, and thus when the university engaged in short-term borrowing in 2015 and 2016, it means the state did as well.

**Financial Disclosure Policies:**

Disclosure of debt and long term financial obligations is an important element of budget and overall state financial management transparency. This study considered four debt management related disclosure issues including the following policies or practices:

- ✓ Does the state have a consolidated financial reporting website
- ✓ Does the state disclose structural deficits or other liabilities
- ✓ Does the state include outstanding debt levels and debt service requirements in their budget documents
- ✓ Does the state provide an estimate of deferred infrastructure maintenance in their budget documents

Table 3 summarizes disclosure practices and policies for the surveyed states. The survey found that only 29% of the southeastern states maintain a consolidated website that provides budget and supplemental data. Consolidated websites are uncommon. Delaware and Florida have such consolidated websites. Most states have a website for their budgeting department, but supplemental data are often separate. For example, data on pension funding and end-of-year CAFRs are often maintained separately from the budget documentation itself.

Like the limited number of states which have consolidated websites, only three of the fifteen states studied disclose projected the structural balance condition of their general fund. Maryland, one of those states, has a state spending affordability committee that produces a general fund structural balance or deficit or surplus analysis annually. In other states, information on structural deficits was only available from nongovernment sources, and tended not to be produced annually, but only when some nonprofit, think-tank, or analytics agency decided to generate such an estimate.

While 80% of the states provide tables which list outstanding debt and debt service costs in their budget document (Table 3), only one state, West Virginia, provides an estimate of deferred infrastructure maintenance costs in their budget document. While Kentucky doesn't provide an overall cost estimate, it provides estimates of deferred maintenance for selected facilities,  Kentucky does not provide an estimate of its total deferred maintenance costs.

DRAFT

TABLE 3: Disclosure Practicies

| State | FY | Does the state have a consolidated website providing all budget and supplemental data? | Does the state disclose projected structural general fund deficits and other comparable liabilities? | Does the state provide tables listing outstanding debt and debt service costs in the budget documentation? | Is the estimated cost of deferred infrastructure maintenance disclosed in the budget documentation? |
|---|---|---|---|---|---|
| ALABAMA | 15-17 | N | N | Y | N |
| ARKANSAS | 15-17 | N | N | Y | N |
| DELEWARE | 15-17 | Y | N | Y | N |
| FLORIDA | 15-17 | Y | N | Y | N |
| GEORGIA | 15-17 | N | N | N | N |
| KENTUCKY | 15-17 | N | N | Y | N |
| LOUISANA | 15-17 | N | N | Y | N |
| MARYLAND | 15-17 | N | Y | N | N |
| MISSISSIPPI | 15-17 | Y | Y | Y | N |
| NORTH CAROLINA | 15-17 | N | N | Y | N |
| OKLAHOMA | 15-17 | N | N | Y | N |
| SOUTH CAROLINA | 15-17 | N | N | N | N |
| TENNESSEE | 15 | N | N | Y | N |
| | 16 | Y | N | Y | N |
| | 17 | N | N | Y | N |
| VIRGINIA | 15-17 | N | N | Y | N |
| WEST VIRGINIA | 15-17 | Y | Y | Y | Y |
| Note: Includes all state data currently available. Some states' FY 17 is not available at this time. | | YES = 29% | YES=20% | YES=80% | YES=7% |

Indicates states with variation in the policy across the FY 15, FY 16, and FY 17

Tables listing outstanding debt and debt service costs in the budget documentation are the most common disclosure practice. Only Georgia, Maryland, and South Carolina do not disclose their debt in the budget documentation. However, all three states disclosed detailed debt and debt service costs in separate reports. Thus, the variation in this question is caused not by whether or not states make the information publicly available – but by whether they include the debt information in the budget or elsewhere.

**SECTION IV: Issues and Concerns for the Future and Learning Points**

State governments have met and are meeting their need to invest in public infrastructure by increasing using some form of debt financing. The need to seek alternative financing strategies, as pointed out earlier, has been due to a decline in federal support of state capital investment and to provide the capital investments needed to support economic growth. The increased use of debt funding, as a financing source, has also resulted from the need to repair and replace the nation's infrastructure.

The use of debt financing for capital investments is, of course, consistent with the "benefits received principle" of public finance. However, while the use of debt financing for infrastructure investments is consistent with the GFOA budget practices cited earlier, the states have also used debt financing policies and strategies which are not consistent with those recommendations. Policies such as "scoop and toss," the use of bond financing of continuing or operating budgets, and refinancing of outstanding bonds in premium form to real onetime cash to support the operating budget raise concerns about the impact of such policies and strategies on a states longer term financial sustainability. While such policies raise concerns, this study suggest that the use of these debt policies have been limited and, probably, have been used to bridge states finances during difficult fiscal times.

Probably equally or, maybe of greater concern, is the tendency of the states to fail to meet their pension and OPEB ARCs. The current underfunding state pension fund obligations results in a forward shifting of financial obligations. This tendency, if continued, will place even greater financial stress on the states as they attempt to meet their infrastructure investment needs, adjust to declining state tax and revenue bases resulting from changing commerce such as the increasing use of mail order and internet sales which reduce a state's sales tax base.

The current research has provided a useful analysis of how the states innovate and adjust their budgeting and financial management policies and practices to meet stressful financial and budget condition. Further research on state budgeting and financial management

DRAFT

practices can highlight the implications of budget decisions and can provide the states with strategies and budgeting options which they can borrow from other states to manage their state's finances—particularly the impact of debt policy decisions on the long-term financial stability of their state.

**SECTION V: Summary and Suggestions for Future Study**

State governments are increasingly meeting their need to invest in public infrastructure by increasing use of debt financing. The enhanced use of debt financing has been due to a decline in federal support of state capital investment and to provide the capital investments needed to support economic growth. The increased use of debt funding, as a financing source, has also resulted from the need to repair and replace the nation's infrastructure. The use of debt financing for capital investments is, of course, consistent with the "benefits received principle" of public finance. However, while the use of debt financing for infrastructure investments is consistent with the GFOA budget practices cited earlier, the states have also used debt financing policies and strategies to assist in meeting balanced budget requirements and in a variety of ways. Policies such as "scoop and toss," the use of bond financing of operating budgets, and the refinancing of outstanding bonds in premium form to realize one-time cash to support the operating budget raise concerns about the impact of such policies and strategies on a states longer term financial health and sustainability. While such policies raise concerns, this study suggest that the use of these debt policies to assist in meeting operating and balanced budget requirements have been limited and, probably, have been primarily used to temporarily bridge budgetary challenges during difficult fiscal times.

DRAFT

Probably of greater concern, regarding the longer term fiscal condition of the states, is the record of the states failing to meet their pension and OPEB ARCs? The tendency of the states to underfund state pension fund obligations during economic downturns results in a forward shifting of their financial obligations. This tendency, if continued, will place even greater financial stress on the states as they attempt to meet their infrastructure investment needs, adjust to declining state tax and revenue bases resulting from changing commerce such as the increasing use of mail order and internet sales which reduce a state's sales tax base.

The current research has provided a useful analysis of how the states innovate and adjust their budgeting and financial management policies and practices to meet stressful financial and budget condition. Further research on state budgeting and financial management practices can highlight the implications of budget decisions and can provide the states with strategies and budget budgeting options which they can borrow from other states to manage their state's finances—particularly the impact of debt policy decisions on the long-term financial stability of their state.

Going forward, there are additional debt issuing and management issues which would add to the value of the national assessment of state budgeting and financial management policies and strategies. Among the possible addition to future iterations of this study are the following:

1. Determine the various state approaches to capital budgeting and capital investment planning
2. Determine if states routinely assess infrastructure and capital investment needs

3. Determine if the states routinely analyze estimate their debt capacity as part of their budgeting process given that the states increasingly use debt finance for their capital budgets
4. Determine if the states consider pension and OPEB obligations as part of their debt "debt" of long-term liabilities
5. Determine if the states have plans to meet unfunded pension and OPEB obligations with or without issuing bonds to supplement those funds
6. Determine if states have established overall debt limits or debt limits by debt service source
7. Determine how the states assess the costs and benefits of capital investments or ROI and how such analysis is used in prioritizing capital or infrastructure investments
8. Determine if the states have utilized public/private partnerships to fund capital projects and infrastructure investment

DRAFT

# References:


1. Bahl, Roy and William Duncombe. "*State and Local Debt Burdens in the 1980s: A Study in Contrast*." Public Administration Review, Vol. 53, No. 1, January/February 1993.
2. Brecher, Charles, Kurt Richwerger, and Marcia Van Wagner. "*An Approach to Measuring the Affordability of State Debt*." Public Budgeting and Finance, Vol. 23, No. 4, winter 2003, pp. 65-85.
3. Clingermayer, James C. and B. Dan Wood, "*Disentangling Patterns of State Debt Financing.*" The American Political Science Review, Vol. 89, No. 1, March 1995, pp. 108-120.
4. Cornyn, John, "*Wisdom of a Balanced Budget Amendment*." Dallas Morning News, December 1, 2010;**www.dallasnews.com/opinion/latest-columns/20101201-john-cornyn-wisdom-of-a-balanced-budget-amendment.ece**
5. Denison, Dwight, "*Debt Management* "inDebt Management Policies in Local Government Finance, (ICMA Press, 2013), p. 279-295.
6. Denison, Dwight, Hackbart, Merl and Michael Moody, "*State Debt limits: how many are enough*?" Public Budgeting & Finance, Vol. 26, winter, 2006.
7. Ellis, Michael A. and D. Eric Schansberg, "*The Determinants of State Government Debt Financing.*" Public Finance Review, Vol. 2, No. 6, November 1999, pp. 571-587.
8. United States Census Bureau web site, July, 2016
9. Garrett, Thomas A**.** "*State Balanced-Budget and Debt Rules*." Economic Synopses, 2011, Number 33. This article summarized balanced budget data from NASBO, "2008 Budget Processes in the States", National Association of Budget Officers, 2008, Tables 11 and 12, Washington, D.C.
10. Hackbart, Merl. and James Leigland. "*State Debt Management Policy: A National Survey*. "Public Budgeting and Finance, Vol. 10, No. 1, Spring. 1990, pp. 37-54.
11. Hackbart, Merl, and James Ramsey, "*Debt Management and Debt Capacity*." In the Handbook of Municipal Bonds, Robert Lamb, James Leigland and Stephen Rapporteds. (New York: Institute of Public Finance, 1993), 316-359.
12. Hildreth, W. Bartley, Bentley, W., and Gerald Miller, "Debt and the Local Economy: Problems in Benchmarking Local Government Debt Affordability," Public Budgeting & Finance, Vol. 22, No. 4, 2002, 99-113.
13. Hildreth, W. Bartley and C. Zorn, "The Evolution of State and Local Municipal Debt Markets Over the Past Half Century," Public Budgeting & Finance, Vol. 25, Silver Anniversary Edition, 2005, 122-153.

**14.** Kiewiet, D. Roderick and Kristin Szakaly. "Constitutional Limitations on Borrowing: An Analysis of State Bonded Indebtedness." Journal of Law, Economics, & Organization, Vol. 12, No. 1, April 1996, pp. 62-97.

**15.** Marlowe, Justin, Rivenbark, William and Vogt, John, Capital Budgeting and Finance, 2nd. ed., (ICMA Press: 2009).

**16.** Peng, Jun, "Cash, Investments, and Pensions," in Management Policies in Local Government Finance, 6th ed., (ICMA PRESS: 2013), p. 297-317.

**17.** Ramsey, James and Hackbart, Merl, "State and Local Debt Management," in Handbook of Debt Management, ed., Gerald J. Miller (New York: Marcel Dekker, 1996), 255-276.

**18.** Simonson, Bill Robbins, Mark D., and Bill Kittredge, "Do Debt Policies Make a Difference in Finance Officers Perceptions of the Importance of Debt Management Factors?" Public Budgeting and Finance, Vol. 21, No. 1, spring 2001.

**19.** Temple, Judy, "Limitations on State and Local Government Borrowing for Private Purposes," National Tax Journal, Vol. 46, No. 1, March 1993, pp. 41 – 52.

**20.** Trautman, Rhonda Riherd. "The Impact of State Debt Management on Debt Activity," Public Budgeting and Finance, Vol. X, No. X, summer 1995, pp. 33-51.


DRAFT