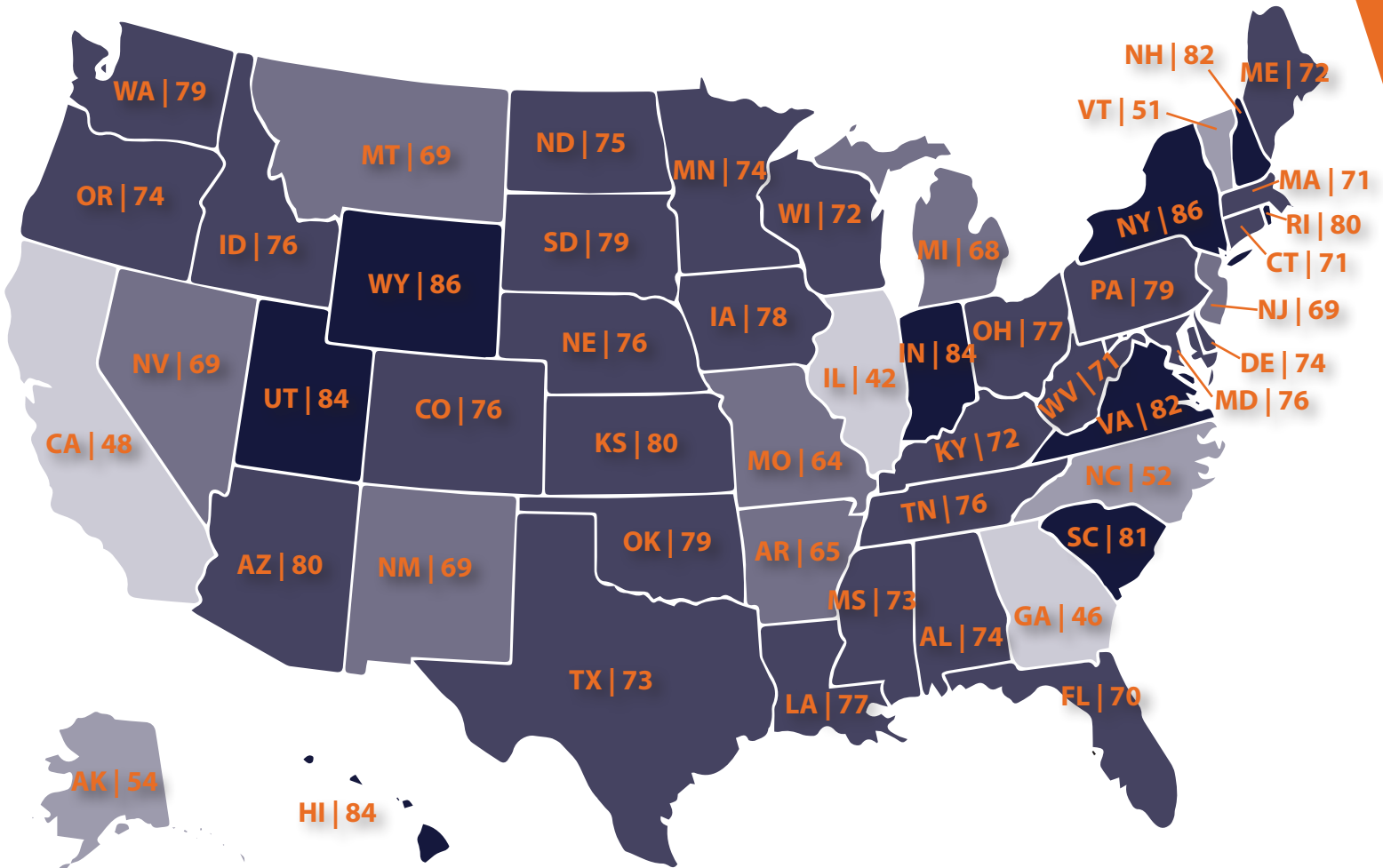




The State's Financial Transparency Score 2024

Is your state financially transparent?

Financial Transparency Score 2024



LESS TRANSPARENT ← → MORE TRANSPARENT



41-50 51-60 61-70 71-80 81-90 91-100

A score of 80 and above is considered notable.

Truth in Accounting has once again created a transparency score for the financial reporting by state governments to encourage the publication of transparent and accurate government financial information. While there is a great deal of focus on state budgets, the results of those budgets are found in a government's annual comprehensive financial report (ACFR). Certified public accountants audit this document produced annually by governments. The criteria used to develop our transparency score provide a "best practices" framework for government officials and citizens that can be used to improve their government's transparency and accountability. For forty five states, this report is based on fiscal year 2022 data. At the time the report's research was completed 2022 data was not available for Arizona, California, Iowa, Oklahoma and Nevada, so 2021 data was used.

Criteria

To receive the top score of 100 points, a government's annual report must meet the following criteria:

- 50 points • Receive a clean opinion from an independent auditor (This criterion also applies to the annual report of the state government's largest pension plan.)
- 15 points • Include a net position not distorted by misleading and confusing deferred items
- 10 points • Report all retirement liabilities on its balance sheet (statement of net position)
- 10 points • Be published within 100 days of the government's fiscal year-end
- 5 points • Be searchable with useful links from the table of contents and bookmarks
- 5 points • Be audited by an independent auditor who is not an employee of the government (This criterion also applies to the annual report of the state government's largest pension plan.)
- 5 points • Measure the net pension liability using the same date as the annual report

Findings

New York and Wyoming both achieved the top scores, each earning an impressive 86 out of a possible 100 points. Unfortunately overall, the 50 states' transparency scores declined compared to the previous year. The greatest declines were hidden retirement debt and distortions of state net positions with states not including the full amount of unrealized pension investment gains and losses. Alaska experienced the largest decline, 16 points.

Nebraska experienced the largest increase, 28 points, mostly because the state's financial report received a clean opinion in 2022 after receiving a disclaimer opinion in 2021.

Net Position Distortions

The Government Accounting Standards Board requires governments to use confusing and misleading accounts called "deferred outflows" and "deferred inflows." Most items in these accounts distort governments' net positions, overall financial condition, and revenue and expenses. Most of the deferrals are related to pension and retiree health care debt. For example, instead of recognizing the full gain in the value of its pension plan investments as income during the year in which the gain occurs, a government increases deferred inflows, which is on the liability side of its balance sheet. In this case, the government's net position would be falsely understated.

Each state's score is based upon the percentage that the asset side of its balance sheet is overstated due to deferred outflows, plus the percentage that the liability side of its balance sheet is overstated due to deferred inflows.

Connecticut, Delaware, Illinois, Kentucky, Maine, Maryland, Massachusetts, New Jersey, New Mexico, Texas, West Virginia, and Wisconsin received scores of zero out of fifteen, mostly because of overstatements on the liability side of their balance sheets. New Jersey had the highest percentages of balance sheet distortions, with the asset side of its balance sheet overstated by more than 26% and its liability side by more than 23%.

Hidden Retirement Debt

State transparency scores were also adversely affected by increased hidden retirement liabilities, including unfunded pension debt.

A state's Net Pension Liability is calculated by subtracting the market value of its pension systems' investments from the estimated amount of promised benefits.

Unfortunately, 45 states reported Net Pension Liabilities for 2022 based on 2021 valuations. In 2021, strong investment markets increased the value of pension investments, resulting in a decrease in the Net Pension Liabilities.

In 2022, investment markets turned negative, and state pension investment values decreased, increasing state Net Pension Liabilities. Hidden pension debt resulted because the reported Net Pension Liability based upon 2021 valuations was lower than the actual 2022 Net Pension Liabilities.

Idaho had the largest percentage, 86% of hidden retirement liabilities. On its balance sheet dated June 30, 2022, the state reported Net Pension Liabilities of \$23.6 million, which was based on June 30, 2021 pension data.

Idaho's June 30, 2022, pension data indicated a Net Pension Liability of \$987.8 million. Including its retiree health care liability, Idaho's retirement liabilities were understated by \$964.1 million. Alaska had second-highest percentage, 85%, of hidden retirement debt.

Michigan had the third-highest percentage, 79%, of hidden retirement debt. In addition to using outdated pension data, the state did not include all of the pension debt related to its Public Schools Employee Retirement System. Truth in Accounting believes 100% of this debt is state debt because the state provides most of the school funding to each district.

Audit Opinions

After receiving a clean opinion on its 2022 financial report, Nebraska's transparency score improved by 28 points. In 2021, the state received a disclaimer opinion due to material misstatements.

Arizona, Florida, and Ohio's transparency scores improved significantly because their financial reports, which had received qualified opinions in 2021, received clean opinions in 2022.

California, Georgia and Illinois continued to receive disclaimer opinions on their state financial reports. Alaska, Missouri and Nevada continued to receive qualified opinions.

Financial Transparency Score 2024



Transparency Score	State	Auditor Opinions	Net Position Distortions	Off-Balance Sheet Liabilities	Timeliness	Navigation	External Auditors	Pension Data Timing
86	New York	50	6	10	8	5	5	2
86	Wyoming	50	12	10	5	3	5	1
84	Hawaii	50	6	10	6	5	5	2
84	Indiana	50	9	10	6	5	2	2
84	Utah	50	9	10	7	5	2	1
82	New Hampshire	50	4	10	7	4	5	2
82	Virginia	50	10	9	7	4	0	2
81	South Carolina	50	7	6	8	3	5	2
80	Arizona	50	11	10	0	5	2	2
80	Kansas	50	11	3	8	1	5	2
80	Rhode Island	50	8	10	5	5	0	2
79	Oklahoma	50	11	10	0	4	2	2
79	Pennsylvania	50	3	7	7	5	5	2
79	South Dakota	50	6	10	6	3	2	2
79	Washington	50	7	7	7	4	2	2
78	Iowa	50	12	10	0	4	0	2
77	Louisiana	50	7	9	6	1	2	2
77	Ohio	50	6	8	7	3	2	1
76	Colorado	50	3	10	7	3	2	1
76	Idaho	50	8	2	7	5	2	2
76	Maryland	50	0	9	5	5	5	2
76	Nebraska	50	6	10	5	3	0	2
76	Tennessee	50	4	10	7	3	0	2
75	North Dakota	50	7	4	6	4	2	2
74	Alabama	50	2	8	6	4	2	2

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Transparency Score	State	Auditor Opinions	Net Position Distortions	Off-Balance Sheet Liabilities	Timeliness	Navigation	External Auditors	Pension Data Timing
74	Delaware	50	0	9	5	3	5	2
74	Minnesota	50	4	6	7	5	0	2
74	Oregon	50	6	8	3	3	2	2
73	Mississippi	50	7	8	1	3	2	2
73	Texas	50	0	10	6	5	0	2
72	Kentucky	50	0	9	5	4	2	2
72	Maine	50	0	8	7	3	2	2
72	Wisconsin	50	0	10	7	4	0	1
71	Connecticut	50	0	10	4	3	2	2
71	Massachusetts	50	0	10	0	4	5	2
71	West Virginia	50	0	3	7	4	5	2
70	Florida	50	4	8	2	4	0	2
69	Montana	50	3	8	2	4	0	2
69	Nevada	35	13	10	0	4	5	2
69	New Jersey	50	0	10	1	4	2	2
69	New Mexico	50	0	9	0	3	5	2
68	Michigan	50	5	3	6	2	0	2
65	Arkansas	50	1	6	5	1	0	2
64	Missouri	35	8	10	2	5	2	2
54	Alaska	35	6	2	2	5	2	2
52	North Carolina	25	4	10	8	3	0	2
51	Vermont	25	1	10	7	3	3	2
48	California	25	6	10	0	3	2	2
46	Georgia	25	4	6	3	4	2	2
42	Illinois	25	0	10	0	3	2	2

TIA Social Media:



Data-Z Social Media:



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