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Pension plans created by some pose a threat to fiscal health

USA TODAY

States are mounting an uneven fiscal recovery from the Great Recession, with energy-rich states leading and Northeastern states with big pension obligations lagging, a new study shows. Alaska, the Dakotas, Nebraska and Florida are on the most solid financial footing, according to rankings of the 50 states released Tuesday by the Mercatus Center at George Mason University. New York, Connecticut, Massachusetts, New Jersey and Illinois are at the bottom.

The Mercatus Center, a public policy research group, ranked the 50 states based on how well each state government planned spending in fiscal 2013 — the most recent year for which data were available — as well as their future financial prospects.

Of the top five states, the Dakotas, Nebraska and Alaska raked in revenue from national resources such as oil. Nebraska and Florida got a boost from income and sales tax revenues, respectively, said Eileen Norcross, author of the study.

And while most state governments now have enough cash to pay short-term bills, according to Norcross, the study *Ranking the States by Fiscal Condition*, suggests that the future is less certain. Some states, for instance, will feel the pressure of commitments to pay out huge sums in pensions. Others may struggle financially because they used pensions and entitlements to pay general expenses.

In Illinois, ranked No. 50, the government used funds set aside for future pensions to pay more urgent bills instead. When the pensions came due, Illinois tried to cut them.

A judge ruled this past May that Illinois' pension cuts were unconstitutional. But that left the state with no plan to deal with a growing list of debts.

Dan Montgomery was an English teacher for 18 years before becoming president of the Illinois Federation of Teachers. "This is our life savings," he said. "I think it's wrong to play with people's life savings like a cat with a ball of yarn — cut here, cut there."

Despite the uncertain future of pension obligations in many states, the National Association of State Budget Officers (NASBO) said that states' budgets are manageable and in line with the rest of the economy.

"Over the next 10 to 30 years, it comes down to how elected officials behave," said Scott Pattison, executive director of NASBO. "They have the opportunity to put states on the right path."

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States like North Dakota with oil revenue are faring better.