

November 3, 2017

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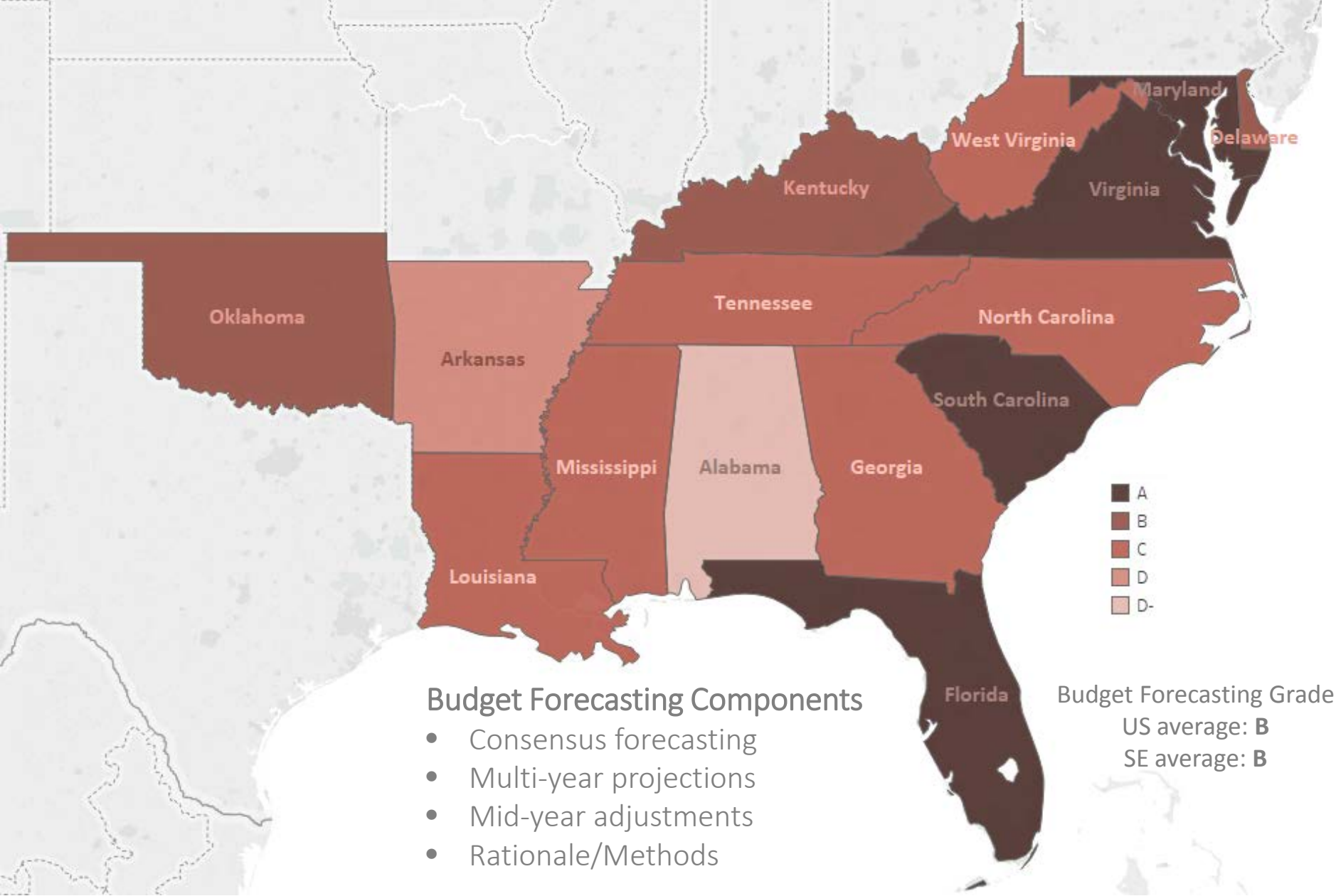
Alex Hathaway

State of the Southeastern States: The Volcker Alliance Project



Overview

- Southeast region composed of 15 states
 - Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Virginia, West Virginia
 - 6 of 9 AAA G.O. bond rated states included: Delaware, Georgia, Maryland, North Carolina, Tennessee, Virginia
- GSU, UK, and FIU researched 5 states each and wrote four papers on debt, fiscal health, forecasting, and transparency
- Results organized into five research categories





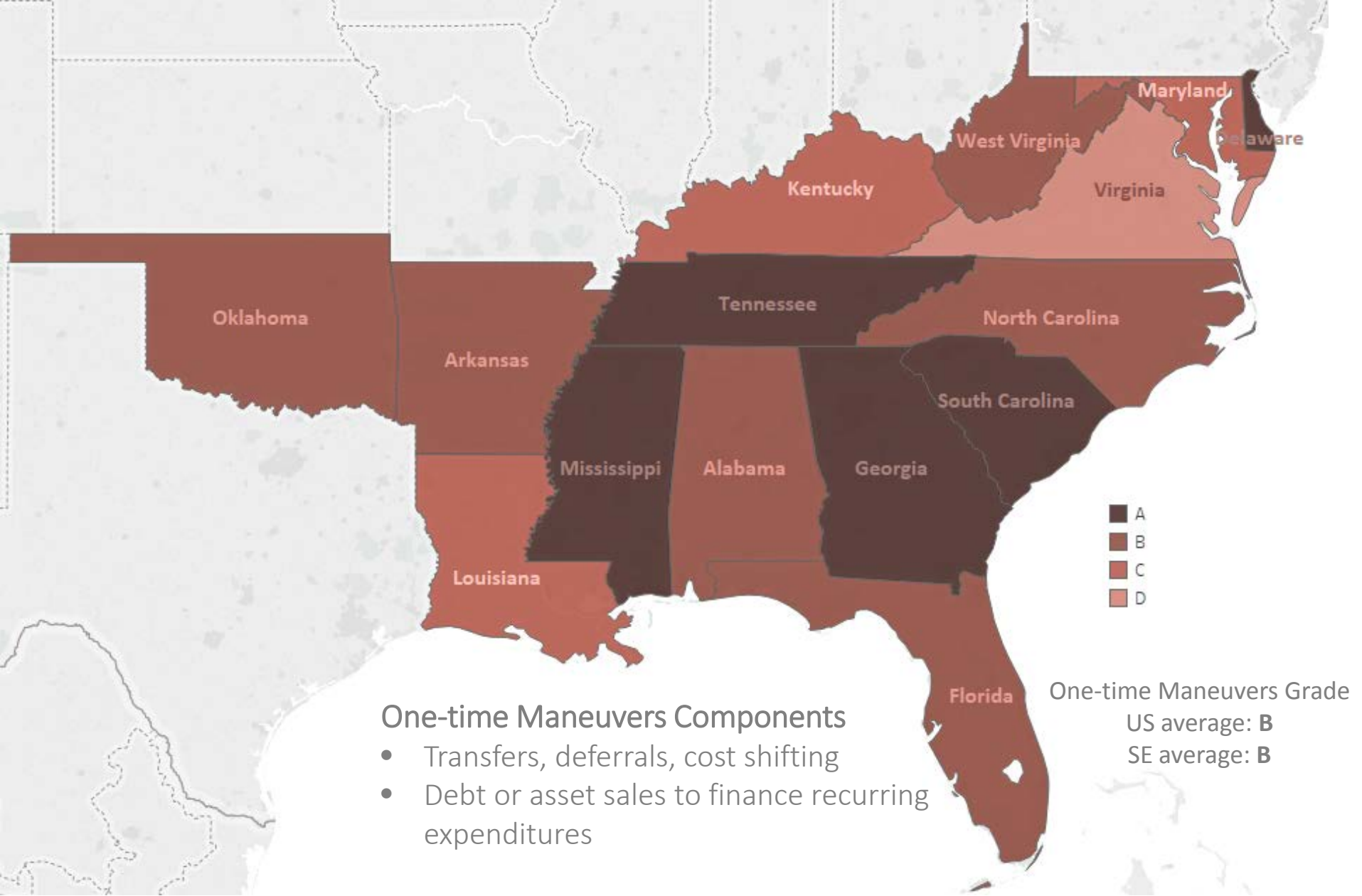
Budget Forecasting

Best Practice

- FL – multiple revenue estimating conferences
- VA – JABE and GACRE consensus groups

Room for Improvement

- AL – no consensus group; no multi-year forecasts for revenues/expenditures
- GA, SC, TN – little/no explanation of macroeconomic trends underlying revenue growth





One-time Maneuvers

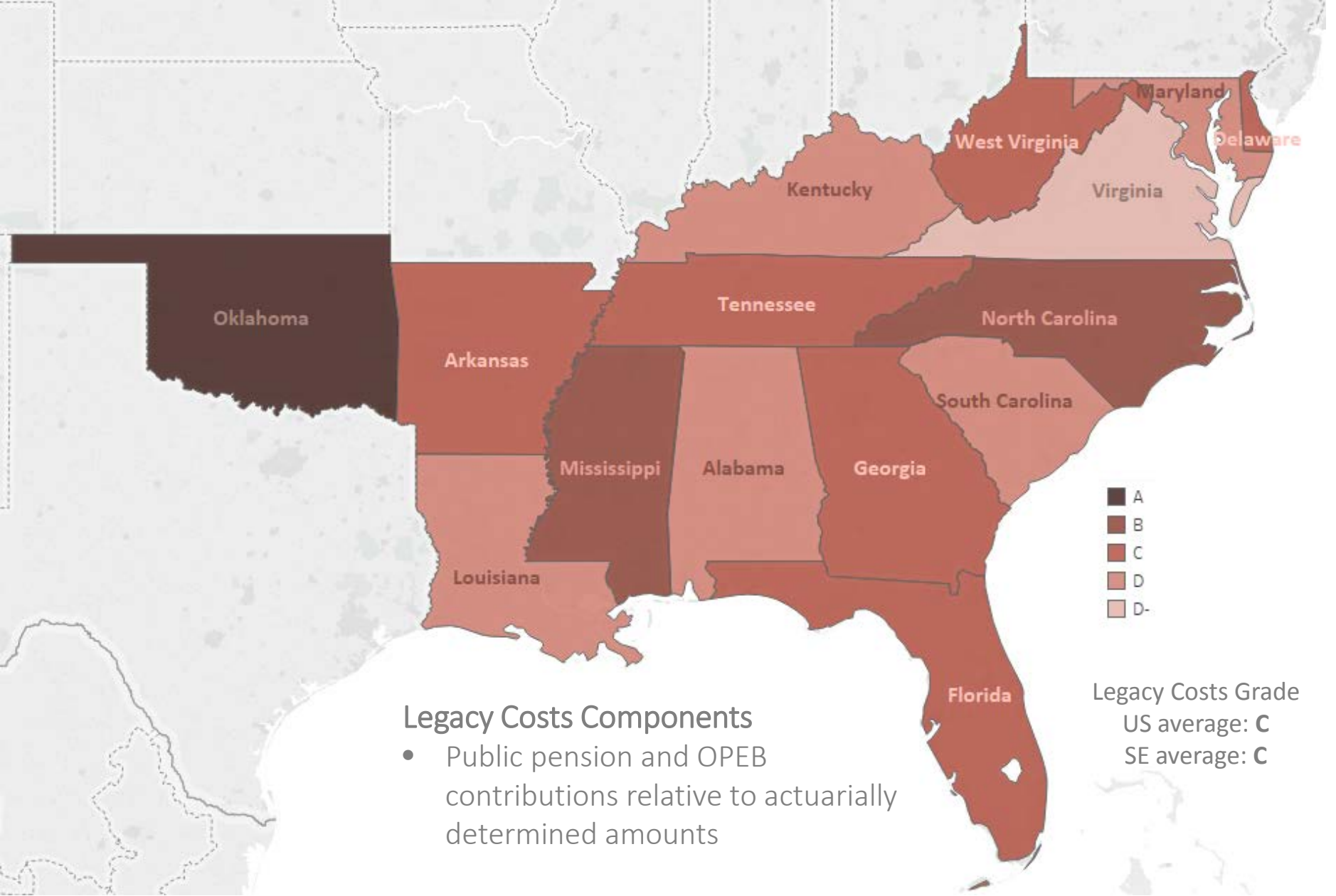
Best Practice

- **SC** – policy restricting use of asset sales
- **MD** – policy restricting the extension of maturities when refunding bonds

Room for Improvement

- **VA** – Accelerated Sales Tax (AST)
 - Certain companies pre-pay estimated June taxes in June (while also paying May taxes)
- **LA, WV** – scoop & toss
 - Louisiana FY16 refunding bonds were “structured to achieve maximum cash flow savings...for the purpose of assisting in eliminating the [FY16 and FY17] deficits.”*

* G.O. Refunding Bonds, Series 2016-B/C, Official Statement, State of Louisiana, April 21, 2016, p.2.



Legacy Costs Components

- Public pension and OPEB contributions relative to actuarially determined amounts



Legacy Costs

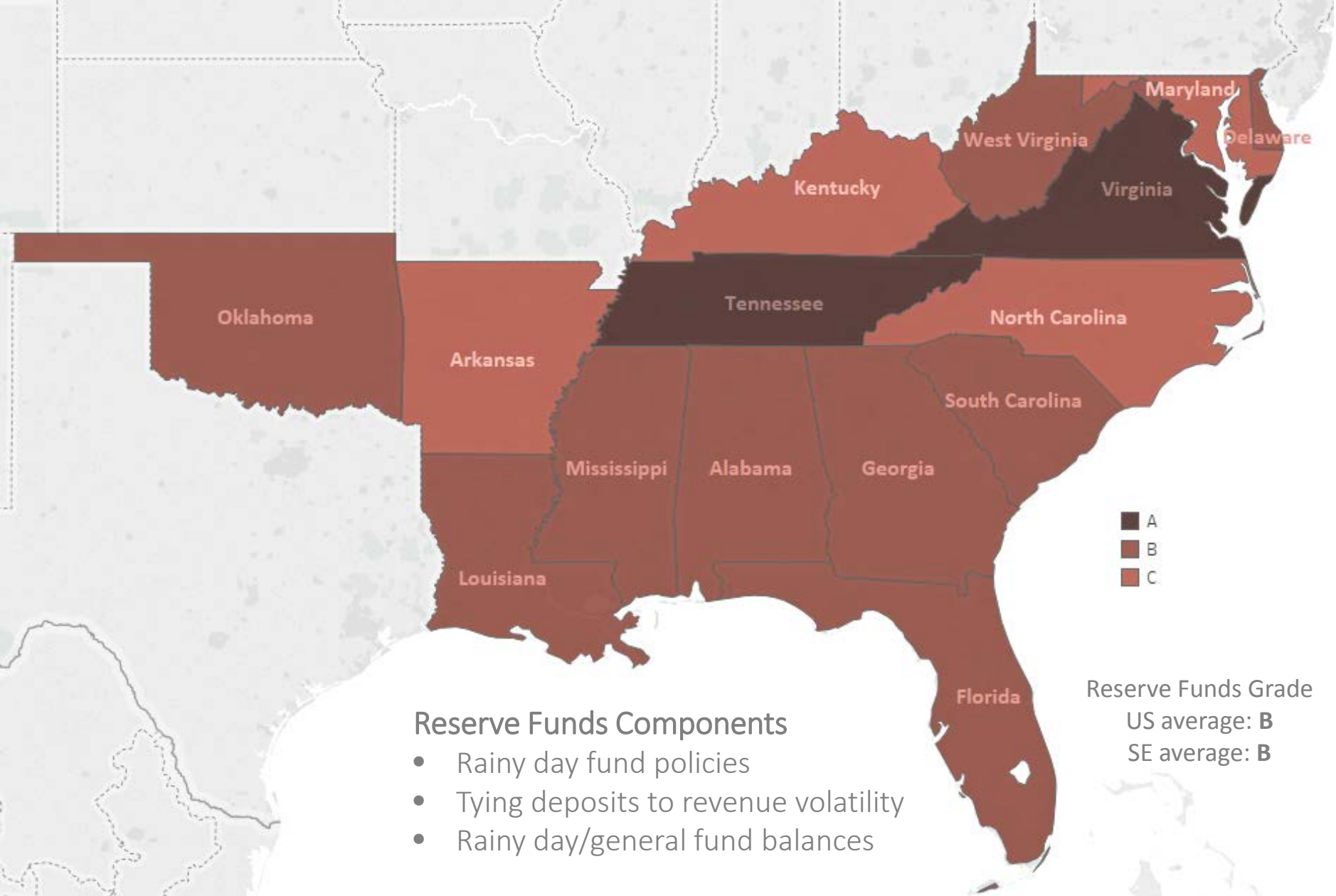
Best Practice

- **OK** – only SE state to meet pension & OPEB requirements in FY15-17
- **NC** – best pension funding ratio in SE at 88%*

Room for Improvement

- **SC** – meeting pension ADEC but still underfunded
 - Portfolios assumed 7.5% rate of return but averaged only 5.2% over last decade
- **AR, GA, LA** – OPEB uses pay-as-you-go system; contributions do not use ADEC

* Bloomberg, 2017





Reserve Funds

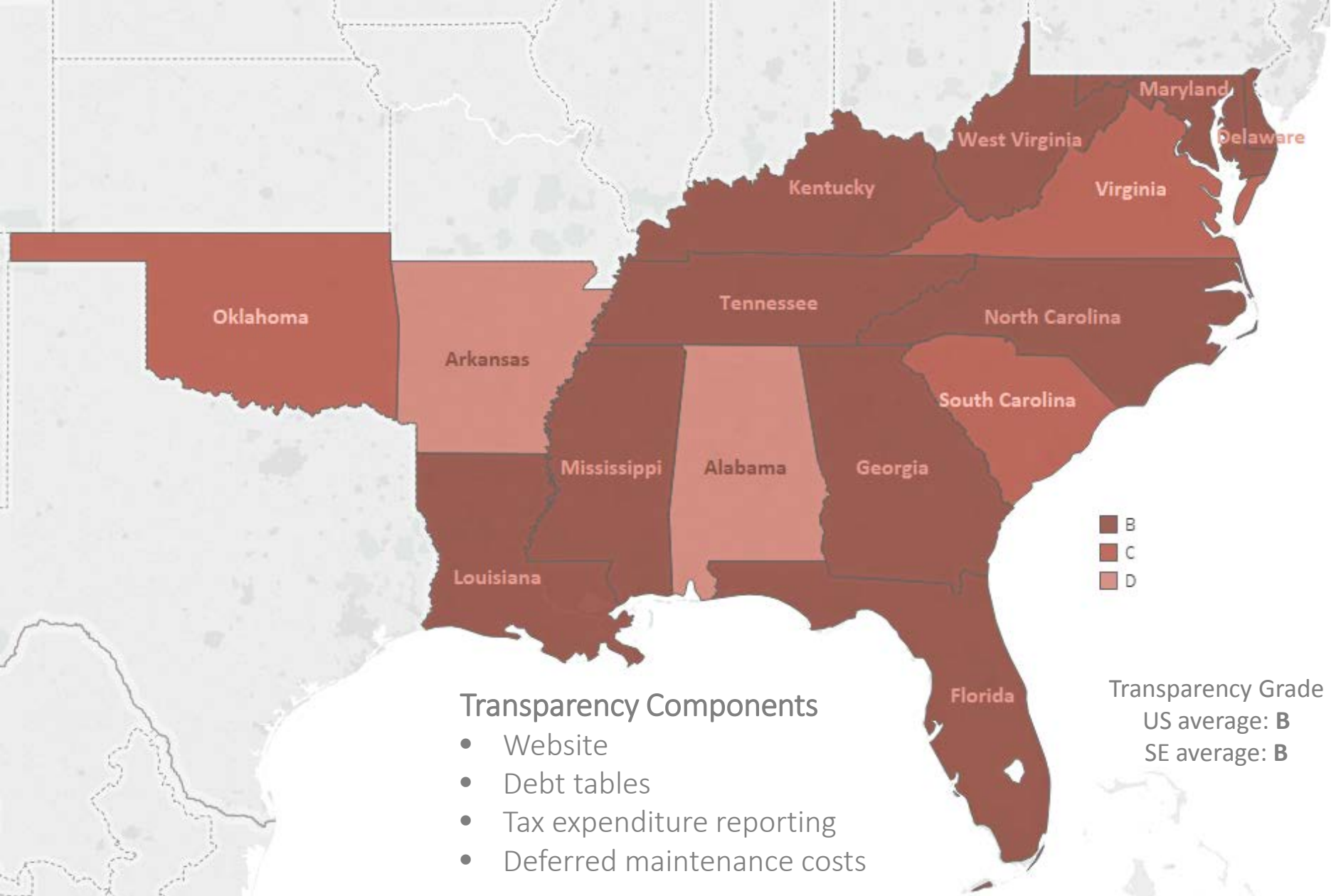
Best Practice

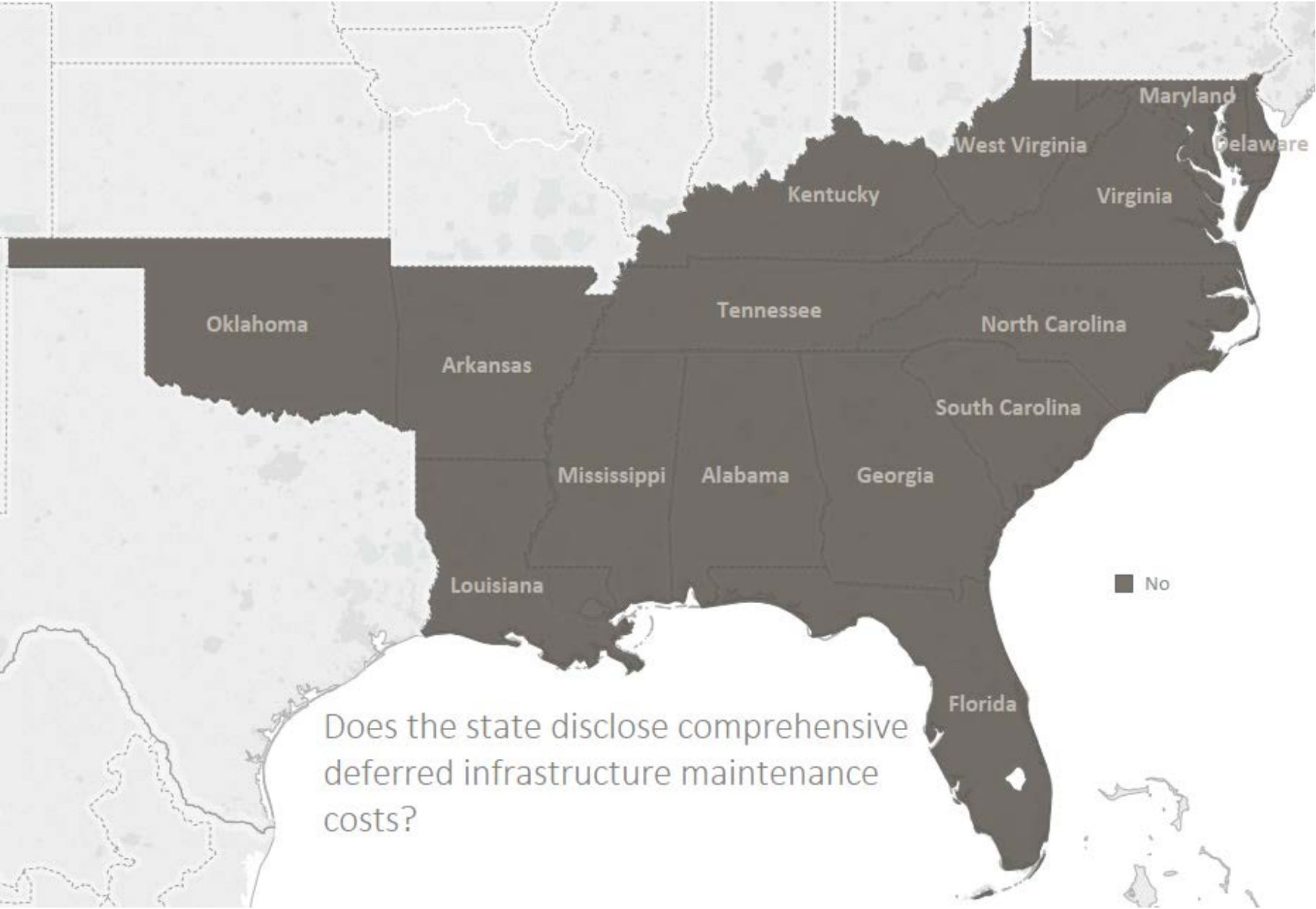
- **TN, VA** – rainy day fund deposits tied to revenue volatility


Room for Improvement

- **MD** – draws rainy day funds down to 5% to build budget
- **NC** – can withdraw funds for broad uses: “economic downturns, threats to public safety, health, and welfare, and other emergencies.”*

* NC Stat. § 143C-4-2 (2016).







Thank You

Q & A

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