

RANK
46

KENTUCKY

SUMMARY

On the basis of its fiscal solvency in five separate categories, Kentucky ranks 46th among the US states and Puerto Rico for its fiscal health. On a cash basis, the state has between 0.75 and 2.08 times the cash needed to cover short-term liabilities. Revenues cover 98 percent of expenses, producing a deficit of \$100 per capita. On a long-run basis, a negative net asset ratio of -0.36 and total liabilities accounting for 56 percent of total assets produce a long-term deficit per capita of \$3,933. Total debt is \$8.23 billion. Unfunded pensions are \$78.33 billion on a guaranteed-to-be-paid basis, and other postemployment benefits (OPEB) add \$4.35 billion in unfunded liabilities. These three liabilities are equal to 55 percent of total state personal income.

2014 TOTAL LONG-TERM OBLIGATIONS

STATE DEBT

	General obligation bonds	Total primary government debt	State personal income	Ratio of debt to state personal income	Total primary debt per capita
Kentucky	\$0.00 billion	\$8.23 billion	\$165.04 billion	5.0%	\$1,864
National average	\$6.60 billion	\$13.76 billion	\$288.25 billion	6.0%	\$2,144

PENSION LIABILITY

	Unfunded pension liability	Funded ratio	Market value of unfunded liability	Market value of funded liability ratio
Kentucky	\$29.00 billion	49%	\$78.33 billion	26%
National average	\$20.46 billion	74%	\$86.85 billion	40%

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

	Total unfunded OPEB	Funded ratio
Kentucky	\$4.35 billion	30%
National average	\$10.21 billion	13%

1. Alaska
2. Nebraska
3. Wyoming
4. North Dakota
5. South Dakota
6. Florida
7. Utah
8. Oklahoma
9. Tennessee
10. Montana
11. Ohio
12. Idaho
13. Nevada
14. Missouri
15. Alabama
16. Texas
17. Indiana
18. South Carolina
19. Virginia
20. New Hampshire
21. North Carolina
22. Colorado
23. Georgia
24. Washington
25. Iowa
26. Minnesota
27. Kansas
28. Arkansas
29. Wisconsin
30. Oregon
31. Arizona
32. Mississippi
33. Louisiana
34. New Mexico
35. Michigan
36. Vermont
37. Rhode Island
38. Delaware
39. Pennsylvania
40. West Virginia
41. Maryland
42. New York
43. Maine
44. California
45. Hawaii
- 46. Kentucky**
47. Illinois
48. New Jersey
49. Massachusetts
50. Connecticut
51. Puerto Rico

UNDERLYING RATIOS

	Cash ratio	Quick ratio	Current ratio	Operating ratio	Surplus (or deficit) per capita	Net asset ratio	Long-term liability ratio	Long-term liability per capita
Kentucky	0.75	1.59	2.08	0.98	-\$100	-0.36	0.56	\$3,933
National average	2.40	3.18	3.54	1.06	\$448	-0.03	0.47	\$3,069

	Tax-to-income ratio	Revenue-to-income ratio	Expenses-to-income ratio	Pension-to-income ratio	OPEB-to-income ratio	Primary debt-to-income ratio
Kentucky	0.07	0.15	0.15	0.47	0.03	0.05
National average	0.06	0.14	0.13	0.31	0.03	0.06

KEY TERMS

- **Cash solvency** measures whether a state has enough cash to cover its short-term bills, which include accounts payable, vouchers, warrants, and short-term debt. (Kentucky ranks 40th.)
- **Budget solvency** measures whether a state can cover its fiscal year spending using current revenues. Did it run a shortfall during the year? (Kentucky ranks 44th.)
- **Long-run solvency** measures whether a state has a hedge against large long-term liabilities. Are enough assets available to cushion the state from potential shocks or long-term fiscal risks? (Kentucky ranks 45th.)
- **Service-level solvency** measures how high taxes, revenues, and spending are when compared to state personal income. Do states have enough “fiscal slack”? If spending commitments demand more revenues, are states in a good position to increase taxes without harming the economy? Is spending high or low relative to the tax base? (Kentucky ranks 40th.)
- **Trust fund solvency** measures how much debt a state has. How large are unfunded pension liabilities, OPEB liabilities, and state debt compared to the state personal income? (Kentucky ranks 45th.)

For a complete explanation of the methodology used to calculate Kentucky’s fiscal health rankings, see Eileen Norcross and Olivia Gonzalez, “Ranking the States by Fiscal Condition,” 2016 ed. (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, June 2016).