



HOW DOES VIRGINIA COMPARE TO OTHER STATES?

Virginia ranks 21st among US states for its fiscal health, based on its fiscal solvency in five separate categories.

Virginia's fiscal performance varies across the categories. On one hand, the state has 1.4 to 2 times the amount of cash needed to cover its short-term liabilities. Virginia's fiscal year (FY) 2013 revenues exceeded its expenses by 4 percent, producing a small surplus. On the other hand, long-term liabilities account for 30 percent of the state's total assets, and assets match state debts, leaving little cushion. Virginia's unfunded pension obligation is four times larger than official state estimates report, at \$83 billion. Unfunded other postemployment benefits (OPEB) liabilities add \$3.6 billion more.

1. Virginia Ranks 30th in Terms of Cash Solvency

Cash solvency measures whether a state has enough cash to cover its short term bills. In fiscal year (FY) 2013, Virginia's cash ratios indicate the state had between 1.4 and 2 times the cash needed to cover short-term spending, lower than the national average. (Short-term liabilities include accounts payable, vouchers, warrants, and short-term debt.)

	Cash ratio	Quick ratio	Current ratio
Virginia	1.47	2.11	2.18
National average	2.23	3.02	3.37

2. Virginia Ranks 27th in Terms of Budget Solvency

Budget solvency measures whether a state can cover its fiscal year spending out of current revenues. Did it run a shortfall during the year? Virginia's revenues exceeded its expenses by 4 percent in FY 2013 and the state realized a surplus of \$166 per capita.

	Operating Ratio	Surplus (deficit) per capita
Virginia	1.04	\$166.93
National average	1.07	\$472.61

3. Virginia Ranks 27th in Terms of Long-Run Solvency

Long-run solvency measures whether a state has a hedge against large long-term liabilities. Are there enough assets available to cushion the state from potential shocks or long-term fiscal risks? On a long-run basis, Virginia's assets match its debts, leaving little cushion. (The net asset ratio measures the total of restricted and unrestricted assets, or net assets, as a portion of total assets. Net assets are a subset of total assets, which also include capital and government buildings.) Long-term liabilities account for 30 percent of total assets with a liability per capita of \$1,483, about half the national average.

	Net asset ratio	Long-term liability ratio	Long-term liability per capita
Virginia	0.01	0.30	\$1,483.87
National average	0.03	0.40	\$2,767.63

4. Virginia Ranks Fifth in Terms of Service-Level Solvency

Service-level solvency measures how high taxes, revenues, and spending are compared to state 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? In Virginia, total taxes represent 5 percent of personal income. Including other state revenues increases this to 9 percent of personal income, which is lower than the national average, meaning Virginia spends less relative to state income than the average state.

	Tax to income ratio	Revenues to income ratio	Expenses to income ratio
Virginia	0.05	0.09	0.09
National average	0.06	0.14	0.13

5. Virginia Ranks 15th in Terms of Trust Fund Solvency

Trust fund solvency measures how much debt a state has. How large are unfunded pension liabilities, health care liabilities, OPEB liabilities, and state debt compared to the state personal income? Calculated on a guaranteed-to-be paid basis, Virginia's unfunded pension liability is 21 percent of total state personal income. (Pension benefits are recalculated based on a discount rate of 3.38 percent to account for the government's guarantee to pay employees earned benefits.) OPEB and total debt account respectively for 1 percent and 2 percent of personal income in Virginia.

	Pension to income ratio	OPEB to income ratio	Debt to income ratio
Virginia	0.21	0.01	0.02
National average	0.29	0.04	0.04

State Debt

Virginia's debt is calculated from its Comprehensive Annual Financial Report. Total primary government debt amounted to nearly \$7 billion in FY 2013, or 1.7 percent of personal income: \$854 on a per capita basis.

	General obligation bonds	Total primary government debt	Personal income	Ratio of debt to personal income	Total primary debt per capita
Virginia	\$0.79 billion	\$6.99 billion	\$403.42 billion	1.7%	\$854
National average	\$6.07 billion	\$12.60 billion	\$282.05 billion	4.0%	\$1,824

Pension Liability

Virginia's pension liability is calculated from its pension actuarial reports. Virginia's unfunded pension liability is four times the state's estimates, at \$83 billion.

	Unfunded liability	Funded ratio	Market value of unfunded liability (risk-free discount rate)	MVL funded ratio
Virginia	\$28.14 billion	65%	\$83.01 billion	39%
National average	\$19.85 billion	70%	\$78.79 billion	40%

OPEB Liability

Virginia's OPEB liability is calculated from its Comprehensive Annual Financial Report. Virginia's OPEB is more strongly funded than average, at 29 percent. Unfunded OPEB liabilities amount to \$3.6 billion for FY 2013, which is approximately 1 percent of the state's personal income.

	Total unfunded OPEB liability	Funded ratio
Virginia	\$3.68 billion	29%
National average	\$10.84 billion	11%

Interpreting the Ratios: Financial Indicators Used to Measure Fiscal Condition

See mercatus.org/statefiscalrankings for a complete explanation of the methodology used to calculate Virginia's fiscal health rankings.

Eileen Norcross, "Ranking the States by Fiscal Condition"
(Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, July 2015).