HOW DOES FLORIDA COMPARE TO OTHER STATES?

Florida ranks 5th among US states for its fiscal health, based on its fiscal solvency in five separate categories.

Florida was one of the top fiscal performers among the states in FY 2013. It was in good shape over the short term thanks to a strong cash position, with between six and seven times the cash needed to cover short-term bills and robust budgetary solvency (revenues exceeded expenses by 12 percent). Over the long term, Florida's position was relatively strong. The state's long-term liabilities represented 33 percent of assets, below the national average of 40 percent, and the state had some assets left over after meeting its debts. Taxes represented 4 percent of state personal income, among the lowest in the nation. As with all states, Florida's pensions were not accurately valued. Based on their own accounting, Florida's unfunded pension liability was $22 billion. However, when pensions were valued based on the guarantee of payment, the value of these unfunded liabilities rose to $155 billion, presenting a long-term risk to the state.

1. Florida ranks 2nd in terms of cash solvency.

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. Florida's cash position was very strong. The state had between six and seven times the liquid cash to cover short-term liabilities, about three times the national average for cash solvency.

	Cash ratio	Quick ratio	Current ratio
Florida	6.76	7.80	7.81
National average	2.23	3.02	3.37

2. Florida ranks 5th 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? Florida's revenues exceeded expenses by 12 percent in FY 2013. The state recorded a surplus of $435 per capita.

	Operating Ratio	Surplus (deficit) per capita
Florida	1.12	$435
National average	1.07	$473

3. Florida ranks 31st 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? After meeting all of its long-term liabilities, Florida had excess assets representing 7 percent of all assets. The state's long-term liabilities were 33 percent of total assets, which was below the national average. Long-term liabilities were $2,180 per capita.

	Net asset ratio	Long-term liability ratio	Long-term liability per capita
Florida	0.07	0.33	$2,180
National average	0.03	0.40	$2,768

4. Florida ranks 4th in terms of service-level solvency.

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? Florida's total taxes were 4 percent of state personal income, below the national average of 6 percent. Florida's total revenues were 10 percent of state income and its expenses 9 percent of state income, both below the national average, giving Florida extra fiscal slack.

	Tax to income ratio	Revenues to income ratio	Expenses to income ratio
Florida	0.04	0.10	0.09
National average	0.06	0.14	0.13

5. Florida ranks 11th in terms of trust fund solvency.

Trust fund solvency measures how much debt a state has. How large are unfunded pension liabilities, other postemployment benefits (OPEB) liabilities, and state debt compared to the state personal income? When calculated on a guaranteed-to-be-paid basis, Florida's total unfunded pension liability represented nearly 20 percent of state income, which was below the national average, but it bears watching. OPEB liabilities represented an insignificant proportion of state personal income, and total indebtedness was also low at 3 percent of state personal income.

	Pension to income ratio	OPEB to income ratio	Debt to income ratio
Florida	0.19	0.01	0.03
National average	0.29	0.04	0.04

State Debt

State debt is calculated from each state's Comprehensive Annual Financial Report. Florida carried nearly $28 billion in total bonded indebtedness, which represented a little over 3 percent of state personal income.

	General obligation bonds	Total primary government debt	Personal income	Ratio of debt to personal income	Total primary debt per capita
Florida	$12.66 billion	$27.85 billion	$811.38 billion	3.4%	$1,442
National average	$6.08 billion	$12.60 billion	$282.05 billion	4.0%	$1,824

Pension Liability

Pension liability is calculated from each state's pension actuarial reports. On a self-reported basis, Florida's pension system appeared robust, with $22 billion in unfunded liabilities for a funded ratio of 85 percent, far above the national average. However, when calculated on a guaranteed-to-be-paid basis, Florida's unfunded pension liability was $155 billion, and its funded status was 46 percent, a red flag for future fiscal stress.

	Unfunded liability	Funded ratio	Market value of unfunded liability (risk-free discount rate)	MVL funded ratio
Florida	$22.45 billion	85%	$155.13 billion	46%
National average	$19.85 billion	70%	$78.79 billion	40%

OPEB Liability

OPEB liability is calculated from each state's Comprehensive Annual Financial Report. Florida's OPEB liability was almost $5 billion and unfunded, meaning it is a pay-as-you-go system. While the total liability was 1 percent of state personal income, which was much lower than the national average, the unfunded status of the plan points to an area of potential fiscal pressure.

	Total unfunded OPEB liability	Funded ratio
Florida	$4.88 billion	0%
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 Florida's fiscal health rankings.

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