Long-Term Obligations Vary as a Share of State Resources

States commit to future spending when they borrow, when they fall short of fully funding pension promises, or when they commit to providing retiree health care benefits to their public employees. Unfunded pension costs grew the most and were the largest of these obligations in a majority of states, as of 2013. Read more below.

Debt and Unfunded Retirement Costs as a Share of State Personal Income, 2013

[Bar chart showing the distribution of debt and unfunded retirement costs across different states.]
Even though states may balance their budgets, they still face some long-term spending commitments—such as debt and unfunded retirement costs—that they must reckon with in the future. In 2013, states reported that they owed $968 billion in unfunded pension benefits—the equivalent of 6.9 percent of 50-state personal income, which is a measure of their economic resources. States also reported $587 billion in unfunded retiree health care liabilities (4.2 percent of personal income) and $518 billion in outstanding debt (3.7 percent).

States’ unfunded pension costs—the shortfall between benefits promised to government workers and the savings available to meet those obligations—stand out. Collectively, they not only were the largest in dollar terms of the three long-term liabilities but also grew the most over the past decade. In addition, they were larger than either of the other liabilities in 37 states.

State to state, though, the challenges posed by these claims varied. In eight states, unfunded retiree health care was the largest cost. In five states, the greatest was net tax-supported debt, which comprises bonds and other obligations typically repaid with money from a state’s