

# Report: Nevada among states with highest per capita debt

By Sean Whaley, Nevada News Bureau

CARSON CITY – Nevada is among the states with the highest amount of government debt per capita at \$14,949, according to a report from State Budget Solutions, a non-partisan advocate for state budget reform.

The level of debt put Nevada at 37th highest among the states.

It was a slight improvement from 2011, when Nevada ranked 38th highest at \$15,509.

The debt totals include budget gaps, outstanding unemployment trust fund loans, post-employment benefit liabilities such as health care coverage and unfunded public pension liabilities.

Nevada, for example, has borrowed about \$680 million from the federal government to pay unemployment benefits during the current recession. The state is looking at increasing tax rates on businesses to repay the loan. The state's Public Employees' Retirement System was projected by the state to have a long-term unfunded liability of \$11 billion as of June 30, 2011. Other analyses put the liability at much higher levels.

Hawaii, New Jersey and Alaska lead the nation with the highest debt per capita at \$29,062, \$29,252 and \$31,141 respectively.

Debt among all the states amounts to \$13,425 for each resident.

"Americans are sadly desensitized to the trillions of dollars in debt our states are facing," said Bob Williams, president of SBS. "This report brings the debt closer to home by demonstrating that a newborn arrives already more than \$13,000

in debt and that a family of four owes their state government \$53,700. It is the individuals and families who will ultimately bear this horrific financial burden if state governments do not get their budgets under control.”

In a telephone interview, Williams said meaningful pension reform would go a long ways to reducing the per capita debt. But the looming costs of the federal health care law could become a significant contributing factor to the problem in the years to come, he said.

“States really need to address the pension problem,” he said. “Currently the public sector salaries and benefits, particularly the pensions, are unsustainable for the taxpayers.”

Gov. Brian Sandoval has advocated for changing Nevada’s public pension plan to a defined contribution plan where there would be no long-term liability to taxpayers, but efforts to change the plan in the 2011 legislative session went nowhere.

Getting policymakers to act has been difficult, but recently some of the bond rating firms have begun to signal their concerns, Williams said. If states’ bond ratings are lowered, it might finally force them to come to terms with their debt problems, he said.

Even Chicago Mayor Rahm Emanuel has acknowledged concerns over pension costs, Williams said.

Bill Gates has also expressed concerns about the cost of public pensions and the effect on funding for public and higher education.

“You cannot keep pushing the cost off to future generations,” Williams said.

The report is an extension of State Budget Solutions’ third annual State Debt Report, released in August showing that

state governments face a crushing debt of more than \$4.6 trillion. The analysis of debt per person looks at state debt per capita, per private sector employee, and the percentage of private sector gross state product. In each of the three categories, Hawaii, New Jersey, and Alaska are among states with the five largest debt figures. At the other end of the spectrum, Nebraska has the lowest total in each of the areas.

Nebraska has the lowest total debt per capita at just \$4,249 for each resident. Tennessee, Indiana, Florida, and Idaho round out the lowest five debt levels per capita.

Private sector workers are at increased risk as they are the ultimate tax base for reducing state debt, the report says. Using figures from the U.S. Bureau of Labor Statistics, State Budget Solutions determined that Hawaii has the largest debt per private sector worker at \$83,815, followed by Alaska, New Jersey, Connecticut, and New Mexico. Nebraska again has the lowest total, with \$9,829 in debt for each private sector employee. Indiana, Tennessee, North Dakota, and South Dakota follow.

“Voters deserve to know how much debt their elected officials are saddling them with before they go to voting booth,” Williams said. “\$13,425 per person is an unacceptable debt and immediate fiscal reform is desperately needed.”