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California's State Pension Obligations Are Larger Than Previously Estimated.

New accounting rules for determining debt are aimed at increasing transparency

SACRAMENTO, Calif.—California has nearly \$64 billion in pension debt that eventually must be paid to current and former teachers and state workers—a figure more than \$20 billion higher than previous estimates, state Controller Betty Yee said Friday.

Ms. Yee disclosed the higher pension liability for the first time in California's comprehensive annual financial report, using a new calculation aimed at more accurately reporting the government's financial responsibilities. It reflects the state's unfunded retirement debt as of June 30, 2015.

The "net pension liability" reflects the state's unfunded retirement costs as of June 30, 2015. California had previously reported a different figure, the "unfunded actuarial liability," which was \$40 billion a year earlier.

Under requirements of the Governmental Accounting Standards Board, state and local governments nationwide are using the new calculation to report their unfunded pension debts. They also must now be included on the balance sheet alongside other government debts, such as bonds, claims, judgments and long-term leases.

As a result, California ended the year \$175 billion in debt, up from \$119 billion the prior year.

The new rules will increase transparency, Ms. Yee said in a statement, "which will in turn focus local and state governments on ensuring they adequately plan for these important long-term obligations."

Ms. Yee said she expects other employment-related benefits, such as retiree health-care costs, to be reported in future years, further driving up the deficit on California's balance sheet.

The new reporting requirements allow state lawmakers and local government leaders to make more informed decisions about pension benefits, said Sen. John Moorlach (R., Costa Mesa), a certified public accountant who has been highlighting pension costs as they are reported by local governments.

"I'm embarrassed that my profession failed to make this requirement 30 years ago," Mr. Moorlach said. "Now most states are in pension-plan debt up to their eyeballs, and the problem is ubiquitous."

The financial report said California collected \$117 billion in revenue during the last fiscal year. That was up 12% from the previous year, mostly from a sharp uptick in personal-income tax collections. The general fund had enough cash at the end of the fiscal year to pay for 20 days of operations, up from 16 a year earlier, the report said.

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