



Auditor of Public Accounts
Mike Harmon

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Auditor Harmon: Kentucky's Total Debt Equal to \$12,000 for Every Man, Woman and Child in Commonwealth

Of Kentucky's total \$54.6 billion in debt, estimated \$43.3 billion is due to unfunded pensions

FRANKFORT, Ky. (February 5, 2019) – Kentucky's estimated unfunded liability for its retirement systems makes up nearly 80 percent of the Commonwealth's total debt for Fiscal Year 2018. That's according to a new data bulletin on debt service released today by Auditor Mike Harmon's office. Of the \$54.6 billion in total debt Kentucky had during FY 2018, an estimated \$43.3 billion of that was due to the unfunded pension and other post-employment benefit liabilities.

"As has been widely known, Kentucky's unfunded pension liability has grown for many years. But what many people don't know is that the Commonwealth has additional debts of \$11.2 billion in appropriation and non-appropriation supported bonds," Auditor Harmon said. "As a result, the Commonwealth made more than \$1.1 billion in principal and interest payments during Fiscal Year 2018 towards this \$11.2 billion of bonded debt."

The \$54.6 billion in total debt equates to a burden of \$12,261.58 for every man, woman and child in Kentucky, and a burden of \$2,535.02 per Kentuckian for the Commonwealth's \$11.2 billion in bonded debt.

Of the \$9.0 billion in appropriation supported debt, Auditor Harmon found the largest amounts of debt are with the State Properties and Building Commission, which has \$3.85 billion in outstanding bonds for capital construction projects and financing projects approved by the General Assembly, and \$1.81 billion in appropriation supported debt to Kentucky's public universities.

The top bonded debt among the \$2.25 billion in non-appropriation supported debt is for grants, scholarships, and student loans through the Kentucky Higher Education Student Loan Corporation, which is more than \$816 million. Second is the \$727 million in bonds for funding

construction of the Ohio River Bridges Project through the Kentucky Public Transportation Infrastructure Authority.

Auditor Harmon's office found while the majority of state agencies must either have approval from the General Assembly to issue bonds, or are capped at certain amounts in issuing bonds, the Kentucky Economic Development Finance Authority (KEDFA) has no limits on the amount of bonded debt it can issue, nor is KEDFA required to obtain legislative approval before issuing conduit bonds.

"As we saw in our recent examination of the KentuckyWired project, taxpayers ended up being on the hook for at least \$1.5 billion over the next 30 years, with no specific legislative approval of the plan," said Auditor Harmon. "If the KentuckyWired project fails, it jeopardizes the Commonwealth's entire credit rating, so I believe the General Assembly should establish additional limitations on agency bonding authority, particularly for KEDFA, and stronger oversight of all bonding."

The data bulletin also points out that of seven states surrounding Kentucky, only Illinois has a worse rating for its General Obligation bonds. Illinois, like Kentucky, has a public pension system that is significantly underfunded. Indiana, Missouri, Tennessee, and Virginia had the highest possible ratings from the three rating agencies for bonds.

The entire data bulletin, "An Examination of The Outstanding Debt and Debt Service of the Commonwealth," is available for review on the [auditor's website](#). This is the second data bulletin released by Auditor Harmon's office, which serves to provide important information to Kentuckians about how their government operates.

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