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Moody's: State Debt Survey Shows New Debt Issuance Falls to Lowest Level in 20 Years.

New York, May 22, 2014 — The rate of growth in the outstanding debt issued by the US states in 2013 slowed for a fourth consecutive year and was also the slowest growth in debt for the last 20 years, says Moody's Investors Service in "2014 State Debt Medians: Appetite for Borrowing Remains Weak." Moody's expects state debt levels to continue to show only modest growth in 2014.

"The continued slowdown in the growth of net tax-supported debt primarily reflects a new conservative attitude toward debt among the states," says Kimberly Lyons, a Moody's Assistant Vice President and Analyst. "Growing spending pressures coupled with inconsistent revenue growth and uncertainty over future revenue trends have forced states to take a cautious approach when considering the addition of new debt service costs to their budgets."

The combined 2013 total net-tax support debt (NTSD) for all 50 states increased to $518 billion from $516 billion in 2012, according to Moody's. Approximately half of all states saw a decline in their NTSD, including some historically large debt issuers such as California.

Total NTSD growth slowed to 0.4%, slightly less than the 1.4% growth rate in 2012. The modest growth rate is well below the 10-year average of 6% growth and considerably lower than the high growth rates of some recent years such as the 9% rate in 2009 and 17% rate in 2004.

The lower borrowing also led to a decline in the median leverage ratios for the states, with NTSD per capita declining to $1,054 from $1,074 in 2012. Additionally, NTSD as a percentage of personal income declined to 2.6% from 2.8%, and NTSD as a percentage of gross state product also fell to 2.4% from 2.5%.

Debt service costs increased by 8% in 2013, up from the 3% increase in 2012. Growth in debt service costs reflects a return to normal debt service schedules after years of artificially low debt service, a result of higher than normal debt refunding for savings in a low interest rate environment, says Moody's.

Moody's also found very low levels in variable rate demand debt and privately placed bank loans among states. Variable rate demand debt comprises just $21.6 billion of outstanding state debt (4% of total) and private bank loans just $3.5 billion (0.01%). Moody's said its review of the private agreements finds similar credit terms to those contained in bank-supported financings for state borrowers in the public market.

Moody's 2014 state debt medians are based on the rating agency's analysis of calendar year 2013 debt issuance and fiscal year 2013 debt service. For more information, Moody's research subscribers can access the report at

https://www.moodys.com/viewresearchdoc.aspx?docid=PBM_PBM170895.

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