

Bond Case Briefs

Municipal Finance Law Since 1971

Moody's: Annual State Debt Medians Experience First Decline in Nearly Three Decades.

New York, June 24, 2015 — For first time in 28 years, the 50 states' median net tax-supported debt (NTSD) declined in 2014, Moody's Investors Service says in its annual state debt medians report.

In 2014, the states' median net tax-supported debt declined by \$6.2 billion to \$509.6 billion. While \$5.3 billion of this change was attributable to Moody's reclassification of the Texas' general mobility fund debt to self-supporting, debt levels still declined by \$900 million.

"The 2014 decline follows three years of minimal growth in NTSD as states continue to be reluctant to begin new debt service commitments in the face of tight operating budgets and a slow and uneven economic recovery," author of the report and Moody's Senior Vice President Kenneth Kurtz says. "Uncertainty over federal fiscal policy and health care funding have also contributed to states' caution."

The state median for NTSD per capita fell to \$1,012 in 2014, for the third straight year. Thirty-three states saw a decline in this metric. The top five states in NTSD per capita are Connecticut, Massachusetts, Hawaii, New Jersey, and New York.

The median for net tax-supported debt as a percent of personal income declined to 2.5% for the second consecutive time as personal income grew.

The medians report also shows the use of general obligation (GO) bonds varies widely across states. The 50 states' median value for GO debt as a percent of net tax-supported debt is 48%. Nationwide, GO debt accounts for 52% of total net tax-supported debt followed by appropriation debt at 21%.

Despite attention paid to pension obligation bonds (POBs) and public private partnerships (P3s), Moody's found states made limited use of these types of financings in 2014.

Moody's expects state debt levels will stay flat in 2015, but over the long term debt levels will rise again as states seek to address deferred infrastructure needs in the context of stagnant federal transportation funding.

Moody's 2015 state debt medians are based on the rating agency's analysis of calendar year 2014 debt issuance and fiscal year 2014 debt service. Net tax-supported debt is defined as debt secured by state taxes or other operating resources which could otherwise be used for state operations, net of obligations that are self-supporting from pledged sources other than state taxes or operating resources. It does not include the debt of the local governments in the state.

The report is available to Moody's subscribers [here](#).