

Special Comment

Moody's U.S. Public Finance

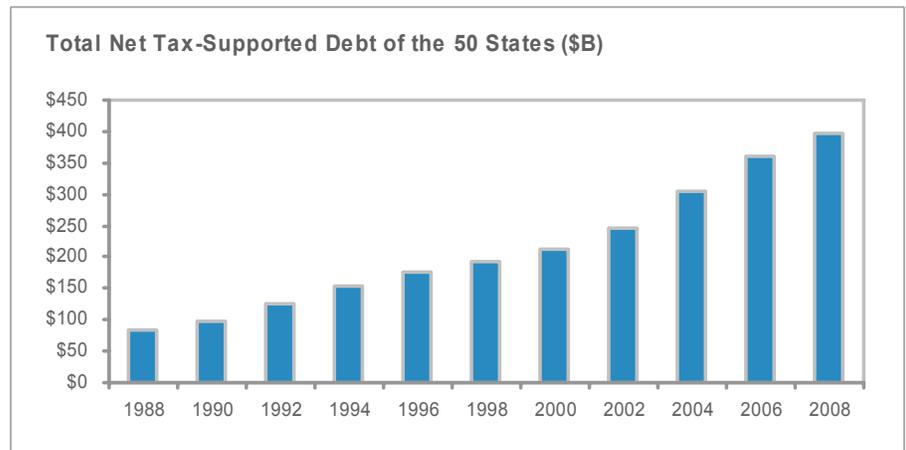
March 2008

2008 State Debt Medians

Summary Opinion

State net tax-supported debt increased by 5.1% in 2007 to \$398 billion (see Figure 1). A favorable interest rate environment, ongoing needs for infrastructure, and increased issuance by some states contributed to the overall increase. Median net tax-supported debt per capita increased by 12.9% to \$889 from the 2007 median of \$787, in part due to ramped up capital programs in several states. This increase was the third highest percentage increase since 1990. During the next year, debt issuance should continue to increase as the weak economy squeezes state budgets, resulting in a shift toward debt financing of capital projects, away from PAYGO funding.

Figure 1



Every year, Moody's prepares a special comment that presents an analysis of state debt medians. This special comment examines the condition of net state tax-supported debt as of 2007. Two measures of state debt burden – debt per capita and debt as a percentage of personal income – are commonly used by municipal analysts in making comparisons. Debt burden is one of many factors that Moody's uses to determine state credit quality. In considering debt burden, Moody's also examines gross debt, which includes contingent debt liabilities that may not have direct tax support but are included in audited state financial reports.

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2008 State Debt Medians

Growth in Net Tax-Supported Debt Continued in 2007

State tax-supported debt increased by 5.1% in 2007, the same rate of increase recorded in the previous year, to \$398 billion. This \$20 billion increase in outstanding net tax-supported debt is the third largest year-to-year increase in the past 20 years, surpassed only by the \$44 billion and \$35 billion annual increases recorded in 2003 and 2004. The current amount of state net tax-supported debt outstanding is also nearly twice as high as the outstanding amount at the beginning of the decade. The increased debt issued by the states during that period reflected a combination of factors, including low interest rates, increased use of debt to jump-start infrastructure development during a recessionary period and, in some cases, the need to cover revenue shortfalls.

States continued to address transportation and education capital needs through bond issuance during the course of 2007. Notable state transactions included \$1.07 billion of capital improvement bonds issued by the Alabama Public School and College Authority, the largest sale in the state's history; New Jersey's \$800 million of school facilities construction bonds and \$1.18 billion of Transportation Trust Fund Authority revenue bonds; \$2 billion of bonds issued by the Texas Transportation Commission for highway construction, some backed by the state's general obligation pledge and some by the state highway fund; and approximately \$1.8 billion of new debt in Florida issued through various bonding programs to support of education.

Median Growth Reflects Significant Change in Debt Per Capita in Certain States

Median net tax-supported debt per capita increased by 12.9% to \$889 (see Figure 2), only the third double-digit percentage increase in this measure since 1990 and the third highest increase during the same period. In contrast, the increase in this measure in 2006 over the prior year was 4.4%. While total net tax-supported debt increased at the same rate as in 2006, significant changes in debt burden among certain states pushed debt per capita upwards and resulted in a skewed distribution relative to the median. For example, Alabama issued approximately \$1 billion of revenue bonds backed by certain taxes in the state's Education Trust Fund, which increased the net tax-supported debt for the state by roughly 50%. Additionally, Arkansas's net tax-supported debt increased by 29% after the state issued general obligation bonds partly for new higher education funding. Idaho and South Carolina experienced an increase of 125% and 53%, respectively, as a result of a change in classification of certain outstanding debts from gross tax-supported debt to net tax-supported debt for the first time.

Mean net tax-supported debt as a percent of personal income at 3.2% was unchanged from the prior year, compared to the 3.0% average for the 1995 to 2006 period (see Figure 3). Median net tax-supported debt as a percent of personal income in 2007 increased to 2.6%, up from 2.4% in the prior year.

2008 State Debt Medians

Figure 2

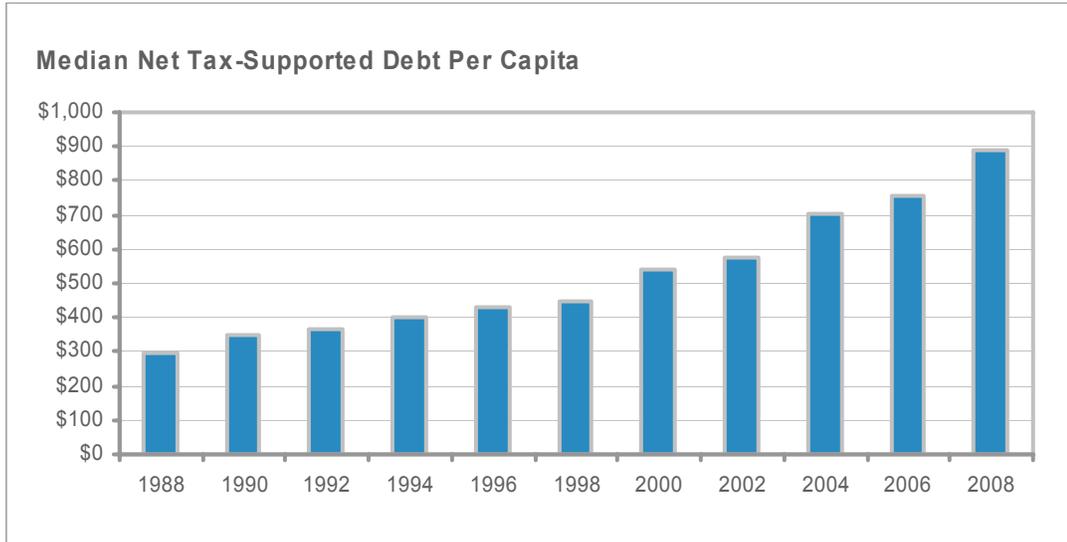
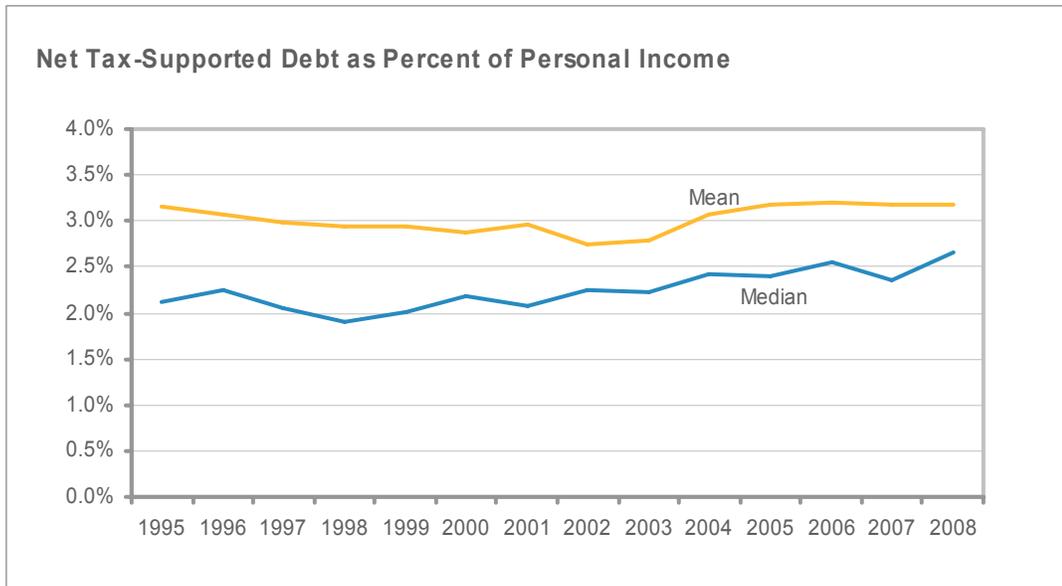


Figure 3



2008 State Debt Outlook: Debt Issuance Expected to Rise Reflecting Tighter Budgets and Infrastructure Needs

State debt issuance in 2008 is expected to be robust, as needs increase but resources decline. As the national economy falters, the need for social services expenditures will increase at the same time that many states look to trim their budgets. One solution will likely be to issue long-term debt where previously PAYGO capital had been used. In many states, the economic slowdown and the low interest rate environment may provide the impetus to accelerate authorized debt sales forward into this calendar year to spur economic activity and bolster employment. However, debt issuance for new capital projects may prove to be lower as a result of either inflationary factors or technical market considerations, as refinancings of auction-rate and variable-rate bonds put pressure on fixed rate interest costs.

2008 State Debt Medians

Table 1: Net Tax-Supported Debt Per Capita

	(\$)	Rating
1 Massachusetts	4,529	Aa2
2 Connecticut	3,698	Aa3
3 Hawaii	3,663	Aa2
4 New Jersey	3,478	Aa3
5 New York	2,762	Aa3
6 Delaware	2,002	Aaa
7 Illinois	1,985	Aa3
8 Washington	1,908	Aa1
9 Rhode Island	1,766	Aa3
10 California	1,685	A1
11 Oregon	1,636	Aa2
12 New Mexico	1,429	Aa1
13 Wisconsin	1,407	Aa3
14 Kentucky	1,381	Aa2*
15 Louisiana	1,345	A2
16 Maryland	1,297	Aaa
17 Mississippi	1,283	Aa3
18 Kansas	1,202	Aa1*
19 West Virginia	1,101	Aa3
20 Florida	1,005	Aa1
21 Ohio	966	Aa1
22 South Carolina	966	Aaa
23 Georgia	954	Aaa
24 Alaska	924	Aa2
25 North Carolina	898	Aaa
26 Minnesota	879	Aa1
27 Pennsylvania	870	Aa2
28 Alabama	869	Aa2
29 Virginia	764	Aaa
30 Nevada	759	Aa1
31 Michigan	748	Aa3
32 Vermont	707	Aaa
33 Missouri	675	Aaa
34 Arizona	630	Aa3*
35 Maine	618	Aa3
36 Utah	542	Aaa
37 New Hampshire	499	Aa2
38 Oklahoma	493	Aa3
39 Texas	481	Aa1
40 Indiana	478	Aa1*
41 Arkansas	477	Aa2
42 North Dakota	374	Aa2*
43 Montana	366	Aa2
44 Idaho	354	Aa2*
45 Colorado	315	NGO**
46 South Dakota	302	NGO**
47 Tennessee	221	Aa1
48 Iowa	98	Aa1*
49 Wyoming	91	NGO**
50 Nebraska	22	NGO**
MEAN:	1,158	
MEDIAN:	889	
Puerto Rico	8,951***	Baa3

* Issuer Rating (No G.O. Debt)

** No General Obligation Debt

*** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

Table 2: Net Tax-Supported Debt as a % of 2006 Personal Income

1 Hawaii	9.9%
2 Massachusetts	9.8%
3 New Jersey	7.5%
4 Connecticut	7.3%
5 New York	6.3%
6 Illinois	5.2%
7 Delaware	5.2%
8 Washington	5.1%
9 Oregon	5.0%
10 New Mexico	4.8%
11 Mississippi	4.8%
12 Kentucky	4.7%
13 Rhode Island	4.7%
14 Louisiana	4.3%
15 California	4.3%
16 Wisconsin	4.1%
17 West Virginia	3.9%
18 Kansas	3.5%
19 South Carolina	3.3%
20 Georgia	3.0%
21 Maryland	3.0%
22 Ohio	2.9%
23 North Carolina	2.8%
24 Florida	2.8%
25 Alabama	2.8%
26 Alaska	2.4%
27 Pennsylvania	2.4%
28 Minnesota	2.3%
29 Michigan	2.2%
30 Nevada	2.0%
31 Missouri	2.1%
32 Arizona	2.0%
33 Vermont	2.0%
34 Virginia	1.9%
35 Utah	1.9%
36 Maine	1.9%
37 Arkansas	1.7%
38 Oklahoma	1.5%
39 Indiana	1.5%
40 Texas	1.4%
41 New Hampshire	1.3%
42 Montana	1.2%
43 Idaho	1.2%
44 North Dakota	1.1%
45 South Dakota	0.9%
46 Colorado	0.8%
47 Tennessee	0.7%
48 Iowa	0.3%
49 Wyoming	0.2%
50 Nebraska	0.1%
MEAN:	3.2%
MEDIAN:	2.6%
Puerto Rico**	63.8%

** This figure is based on 2006 Personal Income. It is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

2008 State Debt Medians

Table 3: Total Net Tax Supported Debt (000's)

		Rating
1	California	A1
2	New York	Aa3
3	New Jersey	Aa3
4	Massachusetts	Aa2
5	Illinois	Aa3
6	Florida	Aa1
7	Connecticut	Aa3
8	Washington	Aa1
9	Texas	Aa1
10	Ohio	Aa1
11	Pennsylvania	Aa2
12	Georgia	Aaa
13	North Carolina	Aaa
14	Wisconsin	Aa3
15	Michigan	Aa3
16	Maryland	Aaa
17	Oregon	Aa2
18	Virginia	Aaa
19	Kentucky	Aa2*
20	Louisiana	A2
21	Hawaii	Aa2
22	Minnesota	Aa1
23	South Carolina	Aaa
24	Alabama	Aa2
25	Arizona	Aa3*
26	Missouri	Aaa
27	Mississippi	Aa3
28	Kansas	Aa1*
29	Indiana	Aa1*
30	New Mexico	Aa1
31	West Virginia	Aa3
32	Nevada	Aa1
33	Rhode Island	Aa3
34	Oklahoma	Aa3
35	Delaware	Aaa
36	Colorado	NGO**
37	Utah	Aaa
38	Tennessee	Aa1
39	Arkansas	Aa2
40	Maine	Aa3
41	New Hampshire	Aa2
42	Alaska	Aa2
43	Idaho	Aa2*
44	Vermont	Aaa
45	Montana	Aa2
46	Iowa	Aa1*
47	South Dakota	NGO**
48	North Dakota	Aa2*
49	Wyoming	NGO**
50	Nebraska	NGO**
	Totals	398,168,401
	Puerto Rico	31,411,000*** Baa3

* Issuer Rating (No G.O. Debt)

** No General Obligation Debt

*** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

Table 4: Gross Tax Supported Debt (000's)

		Gross to Net Ratio
1	California	1.12
2	New York	1.00
3	Massachusetts	1.22
4	New Jersey	1.17
5	Illinois	1.01
6	Michigan	3.00
7	Florida	1.23
8	Connecticut	1.59
9	Washington	1.56
10	Minnesota	3.38
11	Pennsylvania	1.37
12	Texas	1.29
13	Oregon	2.21
14	Wisconsin	1.42
15	Ohio	1.00
16	Virginia	1.72
17	Colorado	5.98
18	Georgia	1.00
19	Kentucky	1.40
20	North Carolina	1.00
21	Alabama	2.02
22	Maryland	1.00
23	Louisiana	1.17
24	Hawaii	1.33
25	Utah	4.25
26	South Carolina	1.26
27	Arkansas	3.52
28	Maine	5.76
29	Indiana	1.52
30	Tennessee	3.19
31	Arizona	1.05
32	Missouri	1.02
33	West Virginia	2.01
34	Alaska	5.95
35	Mississippi	1.00
36	New Mexico	1.32
37	Kansas	1.09
38	Delaware	1.81
39	Rhode Island	1.67
40	Nevada	1.49
41	Iowa	9.70
42	New Hampshire	3.00
43	Oklahoma	1.03
44	Idaho	2.19
45	Vermont	2.58
46	North Dakota	4.10
47	Montana	1.56
48	South Dakota	2.03
49	Nebraska	1.35
50	Wyoming	1.00
	Totals	534,957,269
	Puerto Rico	35,279,000 ** 1.08

** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

2008 State Debt Medians

Table 5: Net Tax-Supported Debt as a Percentage of Personal Income

	1998	1999	2000	2001	2002	2003	2002	2003	2004	2005	2006	2007	2008
Alabama	.7	1.5	2.3	2.2	2.2	2.2	2.2	2.2	2.0	2.0	2.2	2.0	2.8
Alaska	0.5	0.0	1.0	0.4	0.4	0.3	0.4	0.3	3.0	2.8	2.6	2.7	2.4
Arizona	1.9	1.9	1.6	1.6	1.9	2.1	1.9	2.1	2.3	2.6	2.2	2.0	2.0
Arkansas	0.8	0.6	0.9	1.2	1.2	1.4	1.2	1.4	1.8	1.6	1.6	1.4	1.7
California	2.6	2.6	2.4	2.5	2.5	2.5	2.5	2.5	3.2	4.7	4.6	4.4	4.3
Colorado	0.1	0.0	0.0	0.4	0.7	0.9	0.7	0.9	0.9	1.0	0.9	0.9	0.8
Connecticut	8.7	8.7	8.1	8.0	8.0	8.2	8.0	8.2	8.4	8.5	8.0	7.8	7.3
Delaware	5.9	5.7	5.2	5.5	5.3	5.0	5.3	5.0	5.6	5.5	5.3	5.5	5.2
Florida	3.4	3.5	3.4	3.3	3.4	3.5	3.4	3.5	3.5	3.4	3.2	3.1	2.8
Georgia	2.9	2.9	2.8	2.6	2.9	2.9	2.9	2.9	2.9	2.8	2.7	3.0	3.0
Hawaii	10.7	11.2	11.6	11.0	10.4	10.9	10.4	10.9	10.4	11.1	12.1	10.6	9.9
Idaho	0.2	0.4	0.4	0.3	0.4	0.3	0.4	0.3	0.5	0.6	0.6	0.6	1.2
Illinois	2.7	2.6	2.6	2.7	2.8	3.2	2.8	3.2	5.8	6.2	5.9	5.5	5.2
Indiana	0.8	0.9	0.9	1.1	1.1	1.1	1.1	1.1	1.3	1.4	1.6	2.1	1.5
Iowa	0.5	0.5	0.4	0.4	0.6	0.6	0.6	0.6	0.5	0.5	0.4	0.3	0.3
Kansas	1.7	2.0	2.4	3.1	3.0	3.0	3.0	3.0	3.3	4.0	3.8	3.7	3.5
Kentucky	3.9	3.7	3.5	4.4	4.3	4.4	4.3	4.4	4.4	4.0	4.5	4.3	4.7
Louisiana	2.6	2.6	2.4	2.5	2.4	2.7	2.4	2.7	2.6	2.4	3.1	4.9	4.3
Maine	1.9	1.9	2.1	2.0	1.9	1.8	1.9	1.8	1.8	2.2	2.0	1.9	1.9
Maryland	3.1	3.3	3.0	2.6	2.6	2.8	2.6	2.8	3.0	2.9	3.0	2.8	3.0
Massachusetts	7.8	7.8	8.0	8.5	8.5	8.5	8.5	8.5	8.5	8.5	9.8	9.4	9.8
Michigan	1.6	1.7	1.5	1.6	1.5	1.8	1.5	1.8	2.2	2.2	2.1	2.2	2.2
Minnesota	1.9	2.0	1.9	1.8	1.8	1.9	1.8	1.9	2.0	2.0	2.1	2.2	2.3
Mississippi	3.5	4.4	4.7	4.6	4.7	5.6	4.7	5.6	5.2	4.8	4.8	4.9	4.8
Missouri	1.0	1.0	1.0	1.1	1.3	1.3	1.3	1.3	1.6	1.5	1.6	1.9	2.1
Montana	1.4	1.7	1.7	1.7	1.6	1.4	1.6	1.4	1.3	1.1	1.4	1.5	1.2
Nebraska	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nevada	1.6	1.8	1.8	1.8	1.7	1.4	1.7	1.4	2.0	2.0	2.2	1.7	2.0
New Hampshire	2.4	2.3	2.0	1.5	1.5	1.4	1.5	1.4	1.5	1.3	1.4	1.3	1.3
New Jersey	5.1	5.2	5.3	5.5	5.6	5.5	5.6	5.5	5.9	7.4	7.9	7.6	7.5
New Mexico	1.9	2.6	3.1	4.0	4.0	3.7	4.0	3.7	4.1	5.3	4.7	5.3	4.8
New York	6.5	6.6	6.4	6.2	5.9	5.9	5.9	5.9	6.7	7.2	6.7	6.7	6.3
North Carolina	1.0	1.2	1.4	1.4	1.4	1.6	1.4	1.6	2.0	2.5	2.8	2.4	2.8
North Dakota	0.8	0.6	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.6	1.2	1.0	1.1
Ohio	2.5	2.7	2.7	2.6	2.6	2.6	2.6	2.6	2.7	2.9	2.9	3.0	2.9
Oklahoma	0.8	1.2	1.3	1.4	1.3	1.2	1.3	1.2	1.2	1.2	1.4	1.5	1.5
Oregon	1.2	1.2	1.3	1.6	1.5	1.6	1.5	1.6	4.5	4.7	4.5	4.6	5.0
Pennsylvania	2.0	2.3	2.2	2.2	2.3	2.3	2.3	2.3	2.2	2.3	2.3	2.4	2.4
Rhode Island	6.6	6.5	6.2	5.3	5.2	5.0	5.2	5.0	4.4	4.3	4.1	4.6	4.7
South Carolina	1.6	1.6	1.6	1.8	2.5	2.4	2.5	2.4	2.4	2.2	2.5	2.3	3.3
South Dakota	1.5	1.5	1.5	1.2	0.9	0.7	0.9	0.7	0.9	0.9	0.7	0.8	0.9
Tennessee	0.9	1.0	1.0	1.2	0.9	0.8	0.9	0.8	0.8	0.7	0.8	0.7	0.7
Texas	1.4	1.3	1.2	1.0	0.9	0.9	0.9	0.9	0.8	1.0	1.0	1.3	1.4
Utah	3.1	3.6	3.3	2.8	3.0	2.9	3.0	2.9	3.5	3.2	2.7	2.3	1.9
Vermont	4.2	4.2	3.8	3.3	3.0	3.0	3.0	3.0	2.5	2.3	2.2	2.1	2.0
Virginia	2.1	2.0	2.1	1.9	1.8	1.7	1.8	1.7	1.7	1.8	1.7	1.8	1.9
Washington	4.8	4.6	4.6	4.4	4.4	4.8	4.4	4.8	4.9	4.9	4.9	5.1	5.1
West Virginia	2.8	3.4	3.3	4.2	4.0	4.1	4.0	4.1	3.6	4.6	4.4	3.9	3.9
Wisconsin	2.8	2.8	2.7	3.2	3.0	3.3	3.0	3.3	4.5	4.7	4.3	4.2	4.1
Wyoming	0.7	1.0	1.0	1.0	1.4	0.9	1.4	0.9	0.8	0.7	0.3	0.3	0.2
Median	2.0	2.2	2.1	2.1	2.3	2.26	2.2	2.4	2.4	2.5	2.4	2.4	2.6

2008 State Debt Medians

Moody's Related Research

Special Comments

- U.S. State Governments – 2008 Sector Outlook, February 2008 (107409)
- U.S. States Credit Scorecard 2007, September 2007 (104389)
- Rating Changes for the 50 States from 1973 to Date, September 2007 (104631)

Rating Methodology

- Moody's State Rating Methodology, November 2004 (89335)

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2008 State Debt Medians

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