State Outlook: Debt Affordability

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State debt is stable and manageable

Debt is flat and debt ratios are declining for US states

Source: Moody’s Investors Service
States use different forms of debt

Net tax-supported debt for US states, 2015

Source: Moody’s Investors Service
Pensions are the growing long-term pressure, not debt

Debt and ANPL for US states

Source: State CAFRs, Moody's Investors Service
Annual debt service costs stable, while pension costs will increase

Top 10 states based on fixed costs as % of own-source revenue, Fiscal 2015

Source: State CAFRs; Moody's Investors Service (full 2015 data was available for 49 of 50 states)
## Debt affordability and future state decisions

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<th>Deferred capital spending</th>
<th>Deferred capital spending to drive future state debt issuance</th>
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<td>Growing unfunded liabilities</td>
<td>Growing pension/OPEB costs may crowd out spending for other things (including pay-go capital), driving debt issuance</td>
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<td>Measurement of debt</td>
<td>While bonded debt levels are stable, rising pension/OPEB costs make overall metrics rise; may continue pressure for lower debt</td>
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<td>Other options?</td>
<td>States may look to other ways to fund capital, like P3s</td>
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