

U.S. State Fiscal Health

State Reserves Remain Near Record Levels, State and Local Employment Still Rising

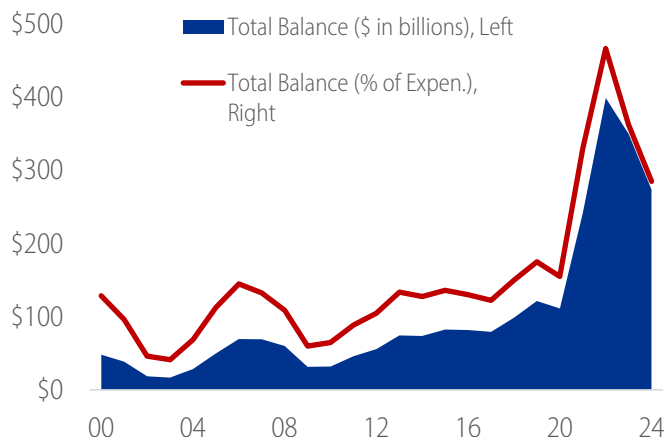
Here is more evidence that the Golden Age of Public Finance endures. The fiscal status of U.S. state governments remains very healthy. State total balances peaked at \$399 billion (37% of expenditures) in FY2022, have since fallen to \$274 billion (23% of expenditures), but remain well above \$66 billion (9% of expenditures) which was the average between 2009 and 2018. Almost all states continue to possess a comfortable cushion against potential macro-economic weakness. Former Fed Chair Ben Bernanke warned Congress should, "Save the States" in July 2020. Congress allocated \$350 billion of Coronavirus State and Local Fiscal Recovery Funds in 2021. Treasury Secretary Janet Yellen indicated this relief helped correct the policy error of insufficient aid after the Great Recession. State governments reported spending \$88 billion, or 45% of the fiscal relief awarded to them as of March 2023, according to the GAO. We have seen a handful of state ratings and outlooks improve in 2023, one received a "Negative" outlook in May.

Tom Kozlik
Head of Public Policy and
Municipal Strategy
214.859.9439
tom.kozlik@hilltopsecurities.com

We closely tracked state and local government employment in 2020 and 2021. The lag in state and local government hiring after the Great Recession was an important credit indicator. State and local governments are continuing to rebuild their labor force. The most recent September non-farm payroll data showed state (29,000) and locals (38,000) added a total of 67,000 to the 336,000 month-over-month change. State and local government hiring is lagging the private sector again, but for different reasons this time. The lag is not because of fiscal concerns. Governments are having a hard time keeping and attracting workers for a variety of reasons. This does not seem to be hurting credit quality, but we are watching to see if high inflation and labor problems become more widespread.

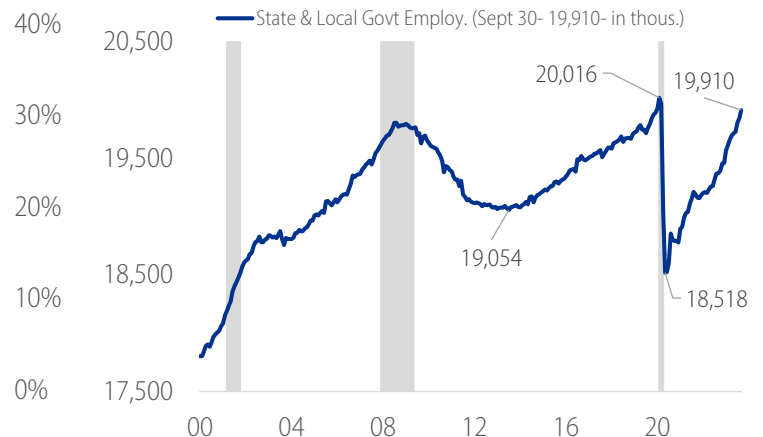
Almost all states continue to possess a comfortable cushion against potential macro-economic weakness.

U.S. State Total Balances Remain Very High



Source: NASBO and HilltopSecurities.

State & Local Employment is Still Rising



Source: Bureau of Labor Statistics and HilltopSecurities.

Select U.S. State Fiscal Health Indicators

State	Spread to 10 Yr (bps)		Total Balances		MOODY'S INVESTOR SERVICE			S&P GLOBAL			FITCH RATINGS		
	MMD as of Dec 1, 2022	MMD as of Oct 16, 2023	Fiscal 24 Projected	Fiscal 24 Projected	Rating	Outlook	Last	Rating	Outlook	Last	Rating	Outlook	Last
Alabama	19	15	\$9,389	81.4%	Aa1	Stable	4/16/2010	AA	Stable	10/7/2004	AA+	Stable	5/3/2010
Alaska	27	24	278	5.7%	Aa3	Stable	4/22/2021	AA-	Stable	3/21/2022	A+	Stable	4/13/2022
Arizona (*)	25	22	1,970	11.5%	Aa1	Stable	11/19/2019	AA	Stable	5/20/2015	-	-	-
Arkansas	21	21	1,363	20.7%	Aa1	Stable	4/16/2010	AA	Stable	7/24/1991	-	-	-
California	4	4	39,853	17.8%	Aa2	Negative	5/18/2023	AA-	Positive	9/2/2021	AA	Stable	8/16/2019
Colorado (*)	25	22	2,202	13.0%	Aa1	Stable	4/16/2010	AA	Stable	6/7/2018	-	-	-
Connecticut	34	29	3,359	15.2%	Aa3	Stable	3/31/2021	AA-	Stable	11/21/2022	AA-	Stable	5/14/2021
Delaware	0	0	2,445	36.5%	Aaa	Stable	4/16/2010	AAA	Stable	2/22/2000	AAA	Stable	4/13/2006
Florida	4	7	10,340	22.8%	Aaa	Stable	6/21/2018	AAA	Stable	7/12/2011	AAA	Stable	4/5/2010
Georgia	0	1	12,285	39.9%	Aaa	Stable	4/16/2010	AAA	Stable	7/29/1997	AAA	Stable	1/5/1993
Hawaii	22	20	3,283	29.5%	Aa2	Stable	10/13/2022	AA+	Stable	9/21/2021	AA	Stable	10/19/2020
Idaho (*)	18	18	1,382	26.7%	Aaa	Stable	3/22/2022	AA+	Stable	3/29/2011	AAA	Stable	11/14/2021
Illinois	171	90	2,967	6.0%	A3	Stable	3/14/2023	A-	Stable	2/23/2023	BBB+	Positive	3/29/2023
Indiana (*)	15	15	2,996	13.8%	Aaa	Stable	4/16/2010	AAA	Stable	7/18/2008	AAA	Stable	10/15/2014
Iowa (*)	17	17	2,961	34.9%	Aaa	Stable	4/16/2010	AAA	Stable	9/11/2008	AAA	Stable	4/5/2010
Kansas (*)	20	17	3,498	36.9%	Aa2	Stable	4/30/2014	AA-	Positive	2/28/2023	-	-	-
Kentucky (*)	25	25	6,034	42.3%	Aa3	Positive	9/26/2023	A+	Positive	6/29/2023	AA	Stable	5/11/2023
Louisiana	21	16	904	7.9%	Aa2	Stable	5/25/2022	AA-	Positive	3/31/2023	AA-	Stable	4/5/2010
Maine	14	14	914	18.0%	Aa2	Positive	5/31/2023	AA	Stable	5/24/2012	AA	Stable	1/23/2013
Maryland	4	5	3,330	12.3%	Aaa	Stable	4/16/2010	AAA	Stable	5/7/1992	AAA	Stable	4/13/2006
Massachusetts	13	10	13,351	28.7%	Aa1	Stable	4/16/2010	AA+	Stable	4/14/2023	AA+	Stable	4/13/2006
Michigan	15	12	2,928	19.6%	Aa1	Stable	7/24/2015	AA	Stable	6/30/2021	AA+	Stable	7/21/2022
Minnesota	7	11	6,327	18.2%	Aaa	Stable	7/28/2022	AAA	Stable	8/26/2021	AAA	Stable	7/28/2016
Mississippi (FY23)	22	22	579	9.2%	Aa2	Stable	4/16/2010	AA	Stable	9/7/2018	AA	Stable	7/15/2016
Missouri	6	6	4,948	34.4%	Aaa	Stable	4/16/2010	AAA	Stable	2/16/1994	AAA	Stable	4/13/2006
Montana	17	17	937	33.6%	Aa1	Stable	4/16/2010	AA	Stable	5/5/2008	AA+	Stable	4/5/2010
Nebraska (*)	15	15	1,895	37.0%	Aa1	Stable	9/27/2017	AAA	Stable	5/5/2011	-	-	-
Nevada	17	17	1,552	26.1%	Aa1	Stable	11/5/2019	AA+	Stable	9/22/2021	AA+	Stable	9/22/2021
New Hampshire	12	10	300	17.0%	Aa1	Stable	4/16/2010	AA	Positive	2/2/2022	AA+	Stable	4/5/2010
New Jersey	51	35	10,015	19.1%	A1	Stable	4/6/2023	A	Stable	4/12/2023	A+	Stable	4/10/2023
New Mexico	13	19	3,282	27.3%	Aa2	Stable	6/18/2018	AA	Stable	4/30/2021	-	-	-
New York	16	18	35,706	34.1%	Aa1	Stable	4/13/2022	AA+	Stable	6/11/2021	AA+	Stable	6/11/2021
North Carolina	0	0	5,566	16.9%	Aaa	Stable	4/16/2010	AAA	Stable	6/25/1992	AAA	Stable	4/13/2006
North Dakota (*)	17	17	1,344	44.5%	Aa1	Stable	4/16/2010	AA+	Stable	2/18/2016	-	-	-
Ohio	14	16	4,409	12.8%	Aa1	Positive	10/11/2022	AA+	Stable	7/15/2011	AAA	Stable	9/8/2022
Oklahoma	20	20	5,473	55.0%	Aa2	Stable	3/31/2020	AA	Positive	7/20/2023	AA	Stable	7/11/2017
Oregon	10	11	3,354	22.6%	Aa1	Stable	4/16/2010	AA+	Stable	3/9/2011	AA+	Stable	4/9/2008
Pennsylvania	24	28	10,909	24.6%	Aa3	Postive	9/23/2023	A+	Positive	9/22/2023	AA-	Positive	4/11/2022
Rhode Island	18	18	279	5.3%	Aa2	Stable	4/16/2010	AA	Stable	6/18/2014	AA	Positive	10/12/2023
South Carolina	5	5	3,065	23.5%	Aaa	Stable	4/16/2010	AA+	Stable	7/11/2005	AAA	Stable	4/13/2006
South Dakota (*)	9	9	220	10.0%	Aaa	Stable	7/11/2016	AAA	Stable	5/4/2015	AAA	Stable	6/15/2016
Tennessee	0	0	2,127	8.5%	Aaa	Stable	4/16/2010	AAA	Stable	5/26/2016	AAA	Stable	4/5/2010
Texas (*)	11	18	29,565	33.2%	Aaa	Stable	4/16/2010	AAA	Stable	9/27/2013	AAA	Stable	4/5/2010
Utah	0	0	2,364	17.8%	Aaa	Stable	4/16/2010	AAA	Stable	6/7/1991	AAA	Stable	4/13/2006
Vermont	6	8	358	15.4%	Aa1	Stable	10/23/2018	AA+	Stable	8/19/2022	AA+	Stable	7/10/2019
Virginia	0	0	5,093	17.5%	Aaa	Stable	4/16/2010	AAA	Stable	6/8/2018	AAA	Stable	4/13/2006
Washington	12	13	2,128	6.5%	Aaa	Stable	8/23/2019	AA+	Stable	11/13/2007	AA+	Stable	7/19/2013
West Virginia	22	24	2,966	60.7%	Aa2	Stable	2/21/2017	AA-	Stable	4/21/2016	AA	Stable	5/4/2018
Wisconsin (FY23)	16	14	8,833	44.7%	Aa1	Stable	8/4/2017	AA+	Stable	8/25/2021	AA+	Stable	10/19/2017
Wyoming (*)	14	14	1,491	84.0%	-	-	-	AA	Stable	6/19/2020	-	-	-
Average / Total	17.76	15.78	283,117	26.0%									

Source: Refinitiv, NASBO, Moody's Investor Service, S&P Global, Fitch Ratings and HilltopSecurities. (*) denotes a Lease or Issuer Credit Rating.

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