

State-local Government Debt in Washington

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Presentation to the Commission on State Debt
Seattle, October 21, 2011

Topic I. State Government Debt in Washington Compared to Selected States

- ▶ Washington compared to other states
 - Sixteen selected states
 - Average of all states
- ▶ State government only
- ▶ Long-term debt excluding private purposes
 - Debt for industrial and commercial development, pollution control and abatement, housing and mortgage loans, private hospital facilities, student loans, and private ventures such as sports stadiums, convention centers, and shopping malls is **excluded**.
- ▶ Based on Census Bureau data

Real Per Capita Long-term Debt, Excluding Private Purposes, State Government Only, Selected States

1992		1997		2002		2007		WA Percentage of Other State
Massachusetts	\$3,122	Massachusetts	\$3,237	Massachusetts	\$4,421	Massachusetts	\$6,175	34.5%
Oregon	\$2,868	Delaware	\$2,707	Delaware	\$2,305	Delaware	\$3,300	64.6%
Delaware	\$2,694	Oregon	\$1,829	Washington	\$1,713	California	\$2,452	87.0%
Washington	\$1,413	Nevada	\$1,635	Oregon	\$1,506	Oregon	\$2,420	88.1%
Maryland	\$1,368	Washington	\$1,561	All States	\$1,504	Washington	\$2,133	100.0%
Nevada	\$1,346	Maryland	\$1,399	Nevada	\$1,341	All States	\$2,013	106.0%
All States	\$1,188	All States	\$1,314	Ohio	\$1,246	Florida	\$1,872	113.9%
Florida	\$1,075	Florida	\$1,248	Maryland	\$1,245	Virginia	\$1,772	120.4%
California	\$969	California	\$1,122	Florida	\$1,235	Maryland	\$1,618	131.9%
Ohio	\$771	Virginia	\$986	Virginia	\$1,211	Ohio	\$1,508	141.5%
Minnesota	\$750	Georgia	\$920	California	\$1,194	Nevada	\$1,394	153.0%
Georgia	\$745	Ohio	\$896	Utah	\$1,188	North Carolina	\$1,265	168.7%
Virginia	\$675	Minnesota	\$822	Minnesota	\$1,003	Minnesota	\$1,260	169.3%
Texas	\$561	Texas	\$787	Georgia	\$906	Georgia	\$987	216.2%
Utah	\$416	Utah	\$521	Colorado	\$838	Colorado	\$871	245.0%
Colorado	\$341	Colorado	\$440	North Carolina	\$795	Utah	\$866	246.2%
North Carolina	\$252	North Carolina	\$402	Texas	\$636	Texas	\$696	306.5%

Per capita amounts measured in 2009 dollars

Source: U.S. Census Bureau, State and Local Government Finances

State Government Outstanding Debt, 2007, Selected State Comparisons

Long-term Debt Excluding Private Purposes Per Capita in 2009 dollars

State	Amount
Massachusetts	\$6,175
Delaware	\$3,300
California	\$2,452
Oregon	\$2,420
Washington	\$2,133
All States	\$2,013
Florida	\$1,872
Virginia	\$1,772
Maryland	\$1,618
Ohio	\$1,508
Nevada	\$1,394
North Carolina	\$1,265
Minnesota	\$1,260
Georgia	\$987
Colorado	\$871
Utah	\$866
Texas	\$696

Long-term Debt Excluding Private Purposes Percentage of GSP

State	Percentage
Massachusetts	11.0%
Oregon	5.4%
California	4.7%
Delaware	4.4%
Florida	4.4%
All States	4.2%
Washington	4.2%
Ohio	3.6%
Virginia	3.4%
Maryland	3.3%
North Carolina	2.8%
Nevada	2.6%
Minnesota	2.5%
Georgia	2.3%
Utah	2.0%
Colorado	1.7%
Texas	1.4%

Long-term Debt Excluding Private Purposes Percentage of Annual Revenue

State	Percentage
Massachusetts	77.7%
Delaware	36.6%
Florida	33.4%
All States	29.0%
California	28.5%
Oregon	28.0%
Washington	27.9%
Virginia	27.7%
Maryland	24.9%
Nevada	23.7%
North Carolina	20.9%
Georgia	19.7%
Ohio	19.2%
Minnesota	16.2%
Colorado	14.9%
Texas	13.7%
Utah	13.5%

Source: U.S. Census Bureau, State and Local Government Finances

State Government Debt in Washington Compared to Selected States

- ▶ Among the 15 selected comparison states (plus California), Washington is ranked fifth or sixth using various measures of long-term state debt (excluding private purposes)
- ▶ The states always ranked above Washington by all measures are Massachusetts, Delaware, Oregon, and California

State Government Debt in Washington Compared to Selected States

- ▶ In 2007, long-term state debt (excluding private purposes) in Washington was 6 percent greater than the average of all states
 - Was 19 percent greater in 1992
- ▶ In 2007, long-term state debt (excluding private purposes) was the same percentage of GDP in Washington as the average of all states (4.2%)
- ▶ In 2007, long-term state debt (excluding private purposes) was a smaller percentage of state revenue (27.9%) than the average for all states (29.0%)

Topic II. Census Measures of State Debt Compared to Rating Agency Measures

▶ Standard & Poor's

- “Standard & Poor's debt ratio calculations for states aggregate all tax-supported obligations, including general obligation bonds, appropriation obligations, and special-tax bonds, such as sales, personal income, and gas tax bonds. In general, our calculation will not include debt that is issued for true enterprise or self-sustaining purposes, such as toll revenue bonds.
- Grant and anticipation revenue bonds excluded if they are payable solely from dedicated federal revenues
- Bonds secured by tobacco settlement revenues excludes if payable exclusively from settlement revenues

Census Bureau Measures of State Debt Compared to Rating Agency Measures

▶ Moody's

- “Moody's 2011 State Debt Medians: Net Tax-Supported Debt is defined as debt secured by state operating resources which could otherwise be used for state operations. Any debt to which state resources are pledged for repayment is considered to be net tax-supported debt.”
- Moody's also examines gross debt, which includes contingent debt liabilities that may not have direct tax support but represent commitments to make debt service payments under certain conditions (e.g. state guarantees and bonds backed by state moral obligation pledges).”

	Census	Rating Agencies
<i>Definition of “State Government” for Debt Purposes</i>	All fiscal activity allocated to one of i) state, ii) county, iii) municipality, iv) special district, or v) school district. Each includes “dependent agencies of the parent government.” Dependent agencies determined by factors such as control of the agency, provision of substantial revenue, reversion of assets to parent government, etc.	Debt tied directly to state government taxes
Examples	State higher education institution debt backed by fees included	State higher education institution debt backed by fees excluded (no state tax backing)

	Census	Rating Agencies
<i>Types of Debt</i>	GO bonds, term bonds, serial bonds, revenue bonds, industrial revenue bonds, pollution control bonds, special assessment bonds, certificates of participation, zero coupon or compound interest bonds, judgments, mortgages, and construction loan notes. Can include or exclude debt for “private purposes.”	GO bonds; Revenue bonds if repayment by state taxes (i.e., gasoline taxes). Other revenue bonds excluded. All private purpose debt is excluded.
Examples	Highway bonds backed by tolls included	Highway bonds backed by tolls excluded

Relative Characteristics of Census vs Rating Agency Measures

- ▶ Rating Agencies
 - Relatively narrow
 - Claim on state taxes (or other direct operational resources)
 - Focus on revenues directly controlled by state government (Legislature and Governor)
- ▶ Census Bureau
 - Most broad
 - Defined by government (and dependent agencies) rather than funding source
 - Allows for indirect claims on state resources
 - Recognizes potential for indirect effects on borrowing costs

Do State Debt Definitions Make a Difference?

- ▶ The highest debt states tend to be the same regardless of the breadth of the debt measure
- ▶ Of the 10 states listed by Moody's based on net tax supported debt, 8 also appear in the list of the ten states with highest state and local government long-term debt, as measured by the Census Bureau
- ▶ Of the 10 states listed by Moody's based on net tax supported debt, 7 also appear in the list of the ten states with highest state government long-term debt excluding private purposes, as measured by the Census Bureau

Top Ten States, Alternative Measures of Outstanding Debt

**2007 Per Capita
State and Local
All Long-term Debt**

Census

Alaska
Massachusetts
New York
Rhode Island
Washington
Colorado
New Jersey
Connecticut
California
Illinois

**2007 Per Capita
State Government Only
Long-term Debt
Excluding Private Purpose**

Census

Massachusetts
Hawaii
New Jersey
New York
Connecticut
Rhode Island
Alaska
Delaware
South Carolina
Louisiana

Washington (16)

**2010 Per Capita
State Government Only
Long-term
Net Tax-Supported Debt**

Moody's

Connecticut
Massachusetts
Hawaii
New Jersey
New York
Delaware
Washington
California
Illinois
Rhode Island

Do State Income Definitions Make a Difference?

- ▶ The rating agencies tend to compare debt to state Personal Income, which is total income received by all persons
- ▶ Our analysis compares debt to state Gross Domestic Product (sometimes called Gross State Product), which is a measure of the total income generated in the state by economic activity
- ▶ The two income measures are close but not the same
- ▶ However, the income differences have little effect on measuring state debt magnitudes

State Government Outstanding Debt, 2007, Selected State Comparisons

Long-term Debt Excluding Private Purposes Percentage of GSP

State	Percentage
Massachusetts	11.0%
Oregon	5.4%
California	4.7%
Delaware	4.4%
Florida	4.4%
All States	4.2%
Washington	4.2%
Ohio	3.6%
Virginia	3.4%
Maryland	3.3%
North Carolina	2.8%
Nevada	2.6%
Minnesota	2.5%
Georgia	2.3%
Utah	2.0%
Colorado	1.7%
Texas	1.4%

Long-term Debt Excluding Private Purposes Percentage of Personal Income

State	Percentage
Massachusetts	12.0%
Delaware	7.8%
Oregon	6.4%
California	5.4%
All States	4.9%
Washington	4.8%
Florida	4.5%
Ohio	4.1%
Virginia	3.9%
North Carolina	3.4%
Maryland	3.3%
Nevada	3.2%
Minnesota	2.9%
Georgia	2.7%
Utah	2.5%
Colorado	1.9%
Texas	1.8%

Questions and Discussion

- ▶ What questions do you have?
- ▶ What additional information about state debt in Washington might be helpful to you?