

State of the States: How Do They Rank?

Eaton Vance Municipal Research Team
December 2025



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Rankings are relative and subjective and are not absolute standards of quality. Rankings do not remove the risk of loss.

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Overview

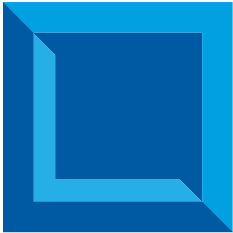
Ranking Results

Key Findings

The Bottom Four States

Ranking Methodology

Overview



Summary

CREDIT OUTLOOK:

Stable
for most states

- **Rainy day fund balances are in a position of strength** with the median state now at 13% of expenditures in 2025, near the record high of 15%.
- For FY 2025, **34 states reported revenue receipts exceeding original estimates**, 9 were on target, and 7 were below original estimates.

However, many uncertainties remain:

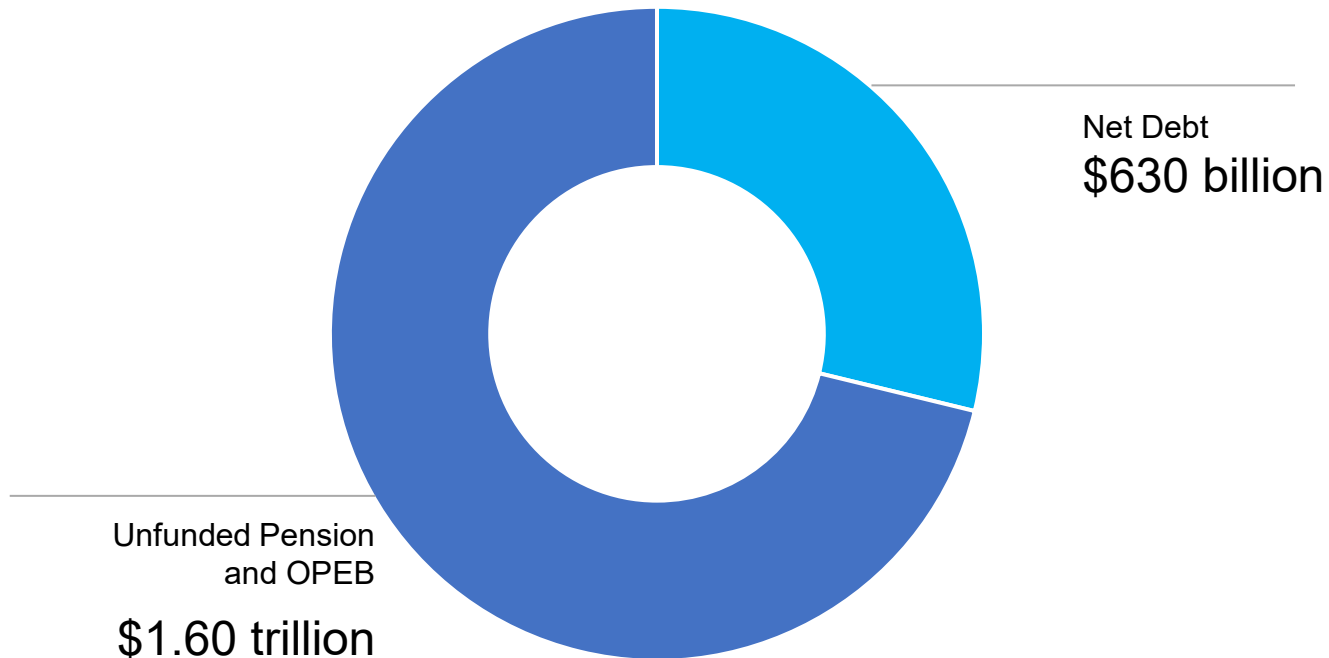
- How will **tariffs** affect various state economies?
- With the federal government pulling back on **Medicaid funding**, how much, if any, will states backfill?
- With reduced **federal funding for SNAP**, how will States address this cost?
- What would happen should the federal government reduce or eliminate **FEMA aid**? What would be the impact to states?
- These potential costs may not have an immediate impact to states. Some will be rolled out slowly with major impacts in 2027 and beyond.

Some states continue to deal with large underfunded pensions, escalating Medicaid costs, and outmigration.

- **Unfunded pension liabilities** remain large, nevertheless, adjusted net pension liabilities have declined over the past five years as higher returns and higher interest rates push total liabilities down.
- **Medicaid costs** remain substantial, with total Medicaid spending averaging 28% of state budgets.
- **Outmigration/demographics** from some states has not yet had a major impact, but the trend is concerning for future revenues.
- **Climate change** remains a challenge for most states. Environmental risks are escalating, and the frequency of extreme nature events is increasing.

Why Are Some States Challenged?

Unfunded pension and other post employment benefit (OPEB) liabilities are over 2X larger than debt burdens



For more on the challenges of unfunded pensions and OPEB, please see the [Appendix](#).

Source: Debt is net tax supported debt ("NTSD") per Moody's. NTSD, unfunded pension liabilities, states' share of estimated pension liabilities, states' pension plan discount rates, and OPEB liabilities from Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025.

There's More to the Credit Story

Debt and unfunded liabilities represent only one aspect of municipal credit quality

An evaluation of a municipal issuer's credit quality should also include *quantitative* and *qualitative* factors:

- Financial performance
- Economy and wealth
- Budgetary outlook and flexibility

While we have focused on state data in this presentation, there are over 40,000 different local general obligation (GO) and essential service credits.

- In some highly ranked states, there are certain local issuers that may pose a credit risk
- Conversely, in some low-ranking states, certain local issuers may exhibit strong credit characteristics

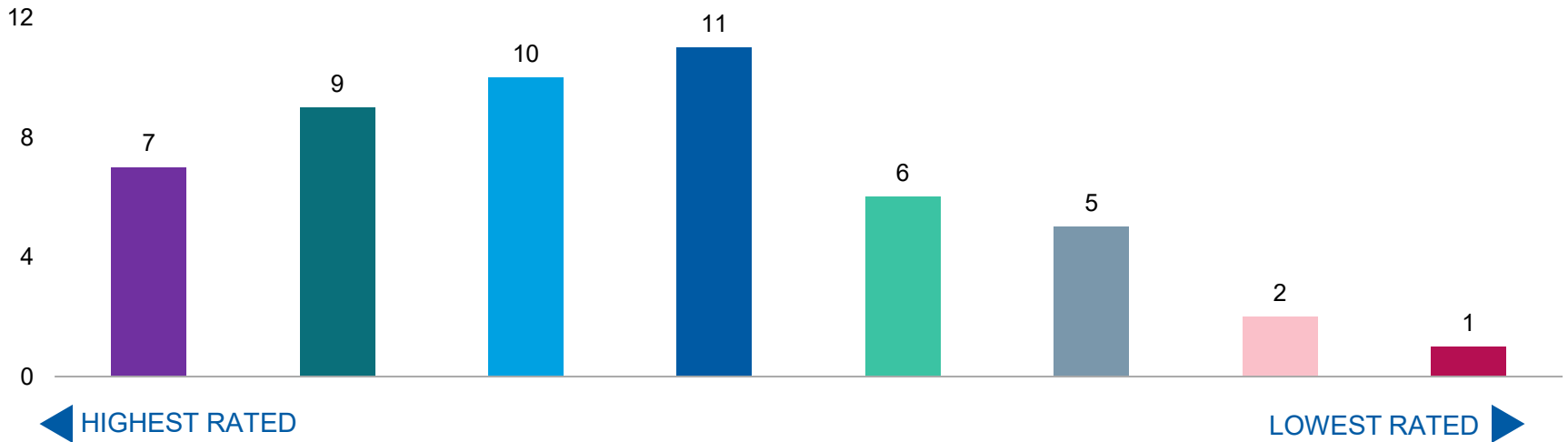
Independent, professional credit research is more important than ever in navigating the vast, disparate municipal bond market.

Ranking Results

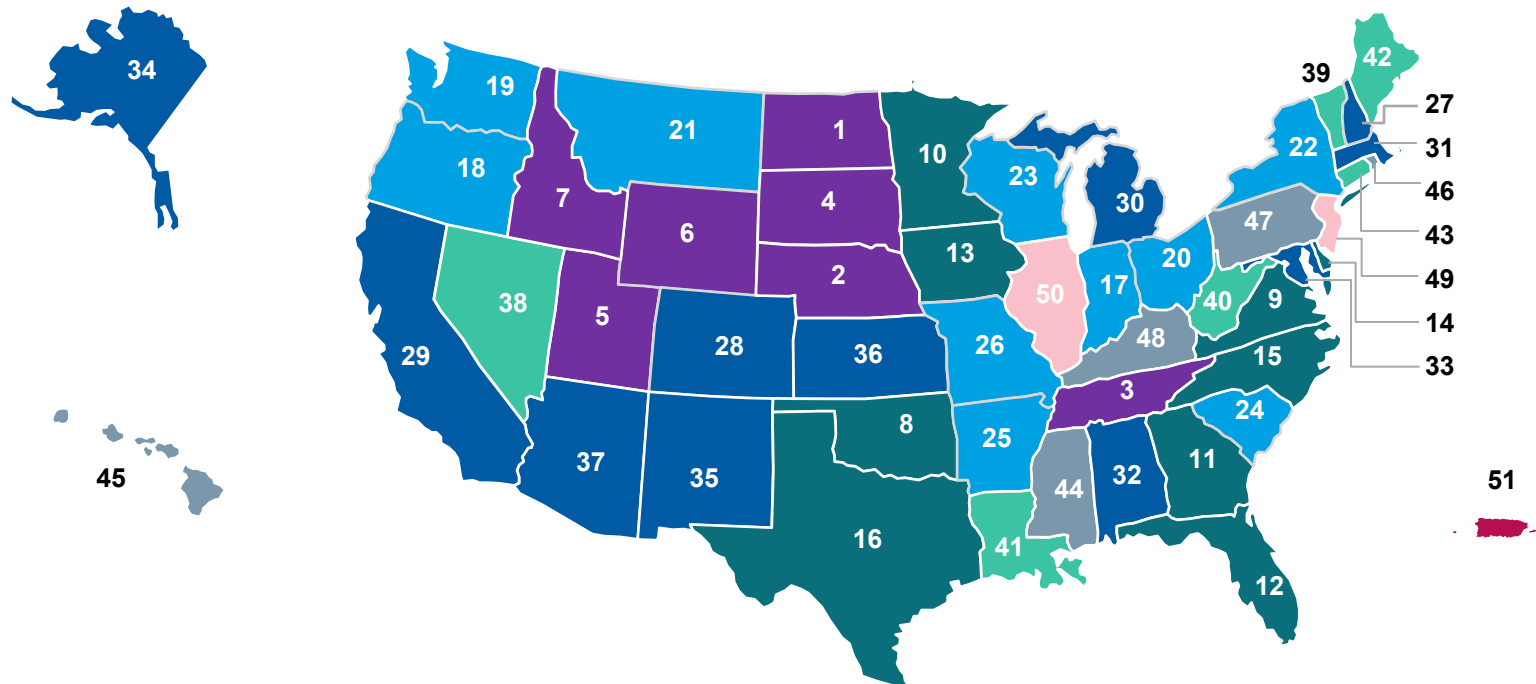


Important Notes About Our Rankings

- Rankings are on a **1-51 scale**, with 1 as most positive and 51 as most negative.
- Although we don't provide our proprietary credit rating for each state, **many states score closely together**.
- We use **eight color codes** to group states, as large differences in ranking may not necessarily reflect differences in credit quality.
- States in the same color-coded group should be considered **similar in credit quality**.



Summary Rankings



TOP 10

| | |
|--------------|-----------|
| NORTH DAKOTA | WYOMING |
| NEBRASKA | IDAHO |
| TENNESSEE | OKLAHOMA |
| SOUTH DAKOTA | VIRGINIA |
| UTAH | MINNESOTA |

BOTTOM 10

| | |
|--------------|--------------|
| MAINE | PENNSYLVANIA |
| CONNECTICUT | KENTUCKY |
| MISSISSIPPI | NEW JERSEY |
| HAWAII | ILLINOIS |
| RHODE ISLAND | PUERTO RICO |

Detailed Rankings

| RANK | STATE | DEBT, ADJUSTED PENSION & OPEB AS A % OF GDP | | TREAD WATER CONTRIBUTION % | | ADJUSTED PENSION LIABILITY-FUNDED RATIO | | GENERAL FUND BALANCE AS A % OF REVENUES | | GOVERNMENTAL FUNDS LIQUIDITY (DAYS CASH) | | STATE UNEMPLOYMENT RATE | | MEDIAN HOUSEHOLD INCOME | |
|------|----------------|---|------|-------------------------------|------|---|------|---|------|--|------|-------------------------------|------|----------------------------|------|
| | | VALUE | RANK | VALUE | RANK | VALUE | RANK | VALUE | RANK | VALUE | RANK | VALUE | RANK | VALUE | RANK |
| 1 | NORTH DAKOTA | 2.7% | (13) | 56.7% | (51) | 55.5% | (34) | 299.5% | (1) | 1254 | (3) | 2.5% | (2) | \$ 83,095 | (11) |
| 2 | NEBRASKA | 1.1% | (1) | 125.6% | (25) | 73.9% | (6) | 60.7% | (10) | 293 | (5) | 2.9% | (6) | \$ 80,977 | (16) |
| 3 | TENNESSEE | 1.3% | (2) | 295.2% | (2) | 76.5% | (5) | 30.9% | (34) | 208 | (13) | 3.6% | (20) | \$ 74,305 | (28) |
| 4 | SOUTH DAKOTA | 1.5% | (5) | 136.5% | (19) | 81.3% | (3) | 70.3% | (6) | 248 | (9) | 1.9% | (1) | \$ 78,804 | (20) |
| 5 | UTAH | 1.7% | (6) | 163.0% | (9) | 72.6% | (7) | 30.4% | (36) | 281 | (6) | 3.3% | (11) | \$ 89,775 | (4) |
| 6 | WYOMING | 2.8% | (14) | 80.5% | (47) | 65.3% | (18) | 126.8% | (2) | 2255 | (2) | 3.3% | (16) | \$ 79,845 | (18) |
| 7 | IDAHO | 2.4% | (11) | 94.3% | (39) | 70.6% | (11) | 77.2% | (4) | 111 | (39) | 3.7% | (24) | \$ 74,711 | (27) |
| 8 | OKLAHOMA | 1.8% | (7) | 164.8% | (8) | 70.7% | (9) | 42.8% | (20) | 269 | (7) | 3.2% | (10) | \$ 73,957 | (29) |
| 9 | VIRGINIA | 3.6% | (19) | 136.6% | (18) | 65.4% | (16) | 45.3% | (16) | 174 | (19) | 3.3% | (13) | \$ 90,252 | (2) |
| 10 | MINNESOTA | 3.6% | (20) | 145.0% | (16) | 67.1% | (15) | 48.8% | (14) | 189 | (16) | 3.3% | (13) | \$ 92,554 | (1) |
| 11 | GEORGIA | 2.5% | (12) | 243.8% | (4) | 61.0% | (24) | 39.8% | (21) | 213 | (11) | 3.6% | (19) | \$ 80,718 | (17) |
| 12 | FLORIDA | 2.1% | (8) | 109.9% | (32) | 63.6% | (20) | 53.9% | (12) | 181 | (18) | 3.7% | (22) | \$ 70,167 | (37) |
| 13 | IOWA | 1.5% | (3) | 117.0% | (28) | 70.7% | (10) | 37.3% | (27) | 153 | (25) | 3.5% | (17) | \$ 81,546 | (14) |
| 14 | DELAWARE | 14.9% | (43) | 115.5% | (31) | 68.4% | (14) | 66.7% | (7) | 210 | (12) | 4.0% | (31) | \$ 81,310 | (15) |
| 15 | NORTH CAROLINA | 2.4% | (10) | 159.8% | (13) | 68.7% | (13) | 31.0% | (33) | 137 | (29) | 3.7% | (23) | \$ 71,476 | (35) |
| 16 | TEXAS | 5.3% | (27) | 87.2% | (45) | 57.7% | (28) | 37.9% | (26) | 147 | (27) | 4.1% | (33) | \$ 82,836 | (12) |
| 17 | INDIANA | 2.3% | (9) | 251.5% | (3) | 59.6% | (25) | 37.2% | (28) | 69 | (49) | 3.9% | (29) | \$ 76,979 | (25) |
| 18 | OREGON | 7.4% | (30) | 93.9% | (40) | 65.3% | (17) | 33.7% | (30) | 158 | (23) | 4.7% | (42) | \$ 71,937 | (32) |
| 19 | WASHINGTON | 4.8% | (25) | 525.0% | (1) | 84.1% | (1) | 17.0% | (45) | 138 | (28) | 4.4% | (37) | \$ 83,218 | (9) |
| 20 | OHIO | 3.2% | (16) | 92.1% | (43) | 62.2% | (21) | 38.9% | (24) | 127 | (33) | 4.8% | (45) | \$ 73,892 | (30) |
| 21 | MONTANA | 7.0% | (29) | 139.0% | (17) | 56.6% | (30) | 74.2% | (5) | 254 | (8) | 2.8% | (4) | \$ 73,217 | (31) |
| 22 | NEW YORK | 5.9% | (28) | 79.5% | (48) | 79.0% | (4) | 53.6% | (13) | 127 | (34) | 4.2% | (34) | \$ 67,608 | (42) |
| 23 | WISCONSIN | 3.3% | (17) | 92.6% | (42) | 82.1% | (2) | 11.7% | (49) | 113 | (37) | 3.1% | (9) | \$ 77,451 | (23) |
| 24 | SOUTH CAROLINA | 8.2% | (35) | 146.0% | (15) | 46.6% | (44) | 81.6% | (3) | 169 | (21) | 4.3% | (36) | \$ 70,558 | (36) |
| 25 | ARKANSAS | 4.1% | (24) | 99.2% | (38) | 61.5% | (23) | 44.0% | (18) | 149 | (26) | 3.7% | (21) | \$ 65,595 | (45) |
| 26 | MISSOURI | 3.9% | (22) | 117.5% | (27) | 45.5% | (45) | 33.5% | (31) | 158 | (22) | 3.9% | (29) | \$ 77,438 | (24) |

Detailed Rankings (cont'd)

| RANK | STATE | DEBT, ADJUSTED PENSION & OPEB AS A % OF GDP | | TREAD WATER CONTRIBUTION % | | ADJUSTED PENSION LIABILITY-FUNDED RATIO | | GENERAL FUND BALANCE AS A % OF REVENUES | | GOVERNMENTAL FUNDS LIQUIDITY (DAYS CASH) | | STATE UNEMPLOYMENT RATE | | MEDIAN HOUSEHOLD INCOME | |
|------|---------------|---|------|-------------------------------|------|---|------|---|------|--|------|-------------------------------|------|----------------------------|------|
| | | VALUE | RANK | VALUE | RANK | VALUE | RANK | VALUE | RANK | VALUE | RANK | VALUE | RANK | VALUE | RANK |
| 27 | NEW HAMPSHIRE | 3.2% | (15) | 134.9% | (20) | 55.1% | (35) | 30.2% | (37) | 111 | (38) | 3.0% | (7) | \$ 85,842 | (8) |
| 28 | COLORADO | 3.3% | (18) | 105.4% | (36) | 50.7% | (39) | 14.3% | (47) | 114 | (36) | 4.5% | (39) | \$ 90,039 | (3) |
| 29 | CALIFORNIA | 8.6% | (36) | 146.6% | (14) | 58.9% | (26) | 32.5% | (32) | 108 | (42) | 5.5% | (49) | \$ 67,698 | (41) |
| 30 | MICHIGAN | 4.9% | (26) | 162.2% | (10) | 65.2% | (19) | 24.1% | (40) | 104 | (44) | 5.2% | (48) | \$ 78,967 | (19) |
| 31 | MASSACHUSETTS | 17.1% | (46) | 125.3% | (26) | 50.6% | (40) | 26.8% | (39) | 53 | (50) | 4.5% | (40) | \$ 71,771 | (33) |
| 32 | ALABAMA | 4.0% | (23) | 90.6% | (44) | 47.3% | (43) | 62.3% | (9) | 196 | (15) | 3.1% | (8) | \$ 70,008 | (38) |
| 33 | MARYLAND | 12.7% | (42) | 109.1% | (34) | 58.7% | (27) | 23.6% | (41) | 9 | (51) | 3.3% | (15) | \$ 88,087 | (5) |
| 34 | ALASKA | 10.4% | (41) | 116.7% | (29) | 56.9% | (29) | 66.2% | (8) | 2650 | (1) | 4.7% | (41) | \$ 71,526 | (34) |
| 35 | NEW MEXICO | 7.8% | (33) | 78.5% | (49) | 51.7% | (37) | 59.6% | (11) | 911 | (4) | 4.3% | (35) | \$ 66,302 | (44) |
| 36 | KANSAS | 7.6% | (32) | 116.5% | (30) | 56.2% | (31) | 46.6% | (15) | 124 | (35) | 3.8% | (26) | \$ 81,801 | (13) |
| 37 | ARIZONA | 1.5% | (4) | 130.0% | (23) | 62.2% | (22) | 10.1% | (50) | 72 | (48) | 4.0% | (32) | \$ 69,442 | (39) |
| 38 | NEVADA | 3.7% | (21) | 71.8% | (50) | 55.7% | (33) | 21.1% | (42) | 155 | (24) | 5.5% | (51) | \$ 75,410 | (26) |
| 39 | VERMONT | 16.5% | (45) | 131.9% | (22) | 48.6% | (41) | 39.1% | (23) | 108 | (43) | 2.5% | (3) | \$ 68,683 | (40) |
| 40 | WEST VIRGINIA | 10.0% | (39) | 212.9% | (5) | 69.2% | (12) | 30.8% | (35) | 170 | (20) | 3.9% | (27) | \$ 65,591 | (46) |
| 41 | LOUISIANA | 7.5% | (31) | 179.8% | (7) | 56.1% | (32) | 39.5% | (22) | 216 | (10) | 4.5% | (38) | \$ 65,030 | (47) |
| 42 | MAINE | 8.7% | (37) | 187.6% | (6) | 71.6% | (8) | 19.5% | (44) | 111 | (40) | 3.3% | (12) | \$ 63,516 | (48) |
| 43 | CONNECTICUT | 29.3% | (50) | 132.7% | (21) | 43.2% | (46) | 16.1% | (46) | 82 | (47) | 3.5% | (18) | \$ 83,194 | (10) |
| 44 | MISSISSIPPI | 8.1% | (34) | 84.3% | (46) | 43.1% | (47) | 44.6% | (17) | 199 | (14) | 3.8% | (25) | \$ 62,904 | (49) |
| 45 | HAWAII | 22.6% | (47) | 100.1% | (37) | 47.8% | (42) | 36.2% | (29) | 186 | (17) | 2.9% | (5) | \$ 53,144 | (50) |
| 46 | RHODE ISLAND | 10.1% | (40) | 161.2% | (11) | 52.3% | (36) | 11.8% | (48) | 110 | (41) | 4.7% | (42) | \$ 78,094 | (22) |
| 47 | PENNSYLVANIA | 10.0% | (38) | 127.3% | (24) | 51.1% | (38) | 20.7% | (43) | 128 | (32) | 3.9% | (28) | \$ 78,273 | (21) |
| 48 | KENTUCKY | 16.2% | (44) | 107.6% | (35) | 41.5% | (48) | 43.4% | (19) | 103 | (45) | 5.0% | (47) | \$ 67,478 | (43) |
| 49 | NEW JERSEY | 27.0% | (49) | 109.6% | (33) | 25.9% | (50) | 38.8% | (25) | 134 | (30) | 4.8% | (46) | \$ 87,793 | (6) |
| 50 | ILLINOIS | 23.5% | (48) | 92.8% | (41) | 33.5% | (49) | 3.4% | (51) | 90 | (46) | 4.7% | (44) | \$ 86,275 | (7) |
| 51 | PUERTO RICO | 54.0% | (51) | 159.9% | (12) | 0.0% | (51) | 27.4% | (38) | 130 | (31) | 5.5% | (50) | \$ 24,484 | (51) |

Key Findings



A Guide To Reviewing the State of the States

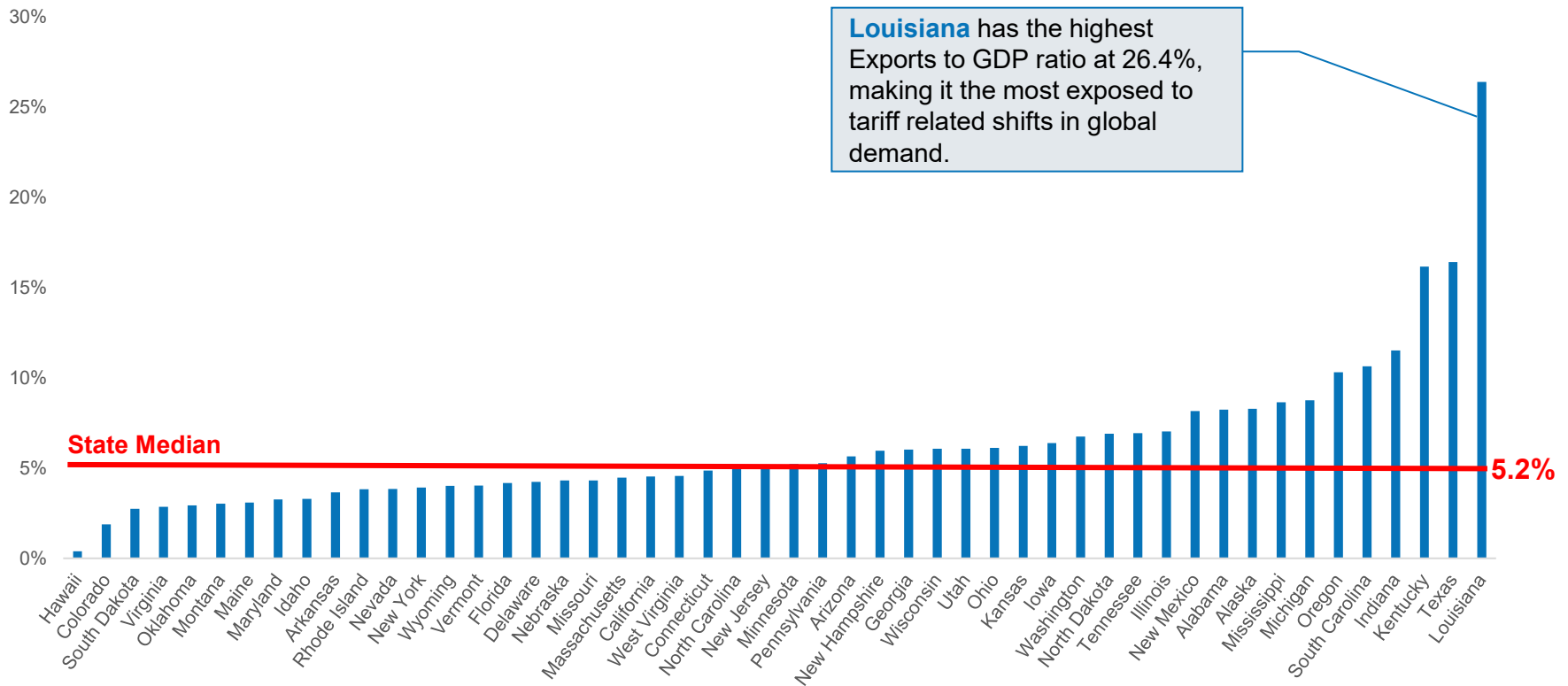
The following charts help compare states based on the credit quality factors that are incorporated in Eaton Vance's ratings methodology.

- Which states are most exposed to the shifting **tariff environment**?
 - Which states are most exposed to **global imports**?
 - Which states are most exposed to changes in **federal SNAP** support?
 - How could **reduced FEMA aid** impact states' debt burdens?
 - How are states managing their **debt load**?
 - How heavy are **debt and unfunded pension burdens**?
 - Which states are most pressured by **debt, pension and OPEB liabilities**?
 - How do debt, pension and OPEB loads compare to **annual revenues**?
 - Which state budgets can handle **debt, pension and OPEB expenses**?
- Which states are fully funding their **pension contributions**?
 - Which state **pensions** are the most **underfunded**?
 - How much **cushion** do states have to mitigate **financial risks**?
 - How much **liquidity** does each state have?
 - Which states have been **building reserves**?
 - Which states are battling **high unemployment**?
 - Which states have the **wealthiest households**?
 - Which states fall short in terms of **economic growth**?
 - How much **flexibility** do states have to **raise taxes**?
 - Which states have the highest **population growth**?

Which States Are Most Exposed to the Shifting Tariff Environment?

States with large export footprints may experience outsized impacts as tariff policies and global demand conditions adjust

Global Exports As a % of GDP

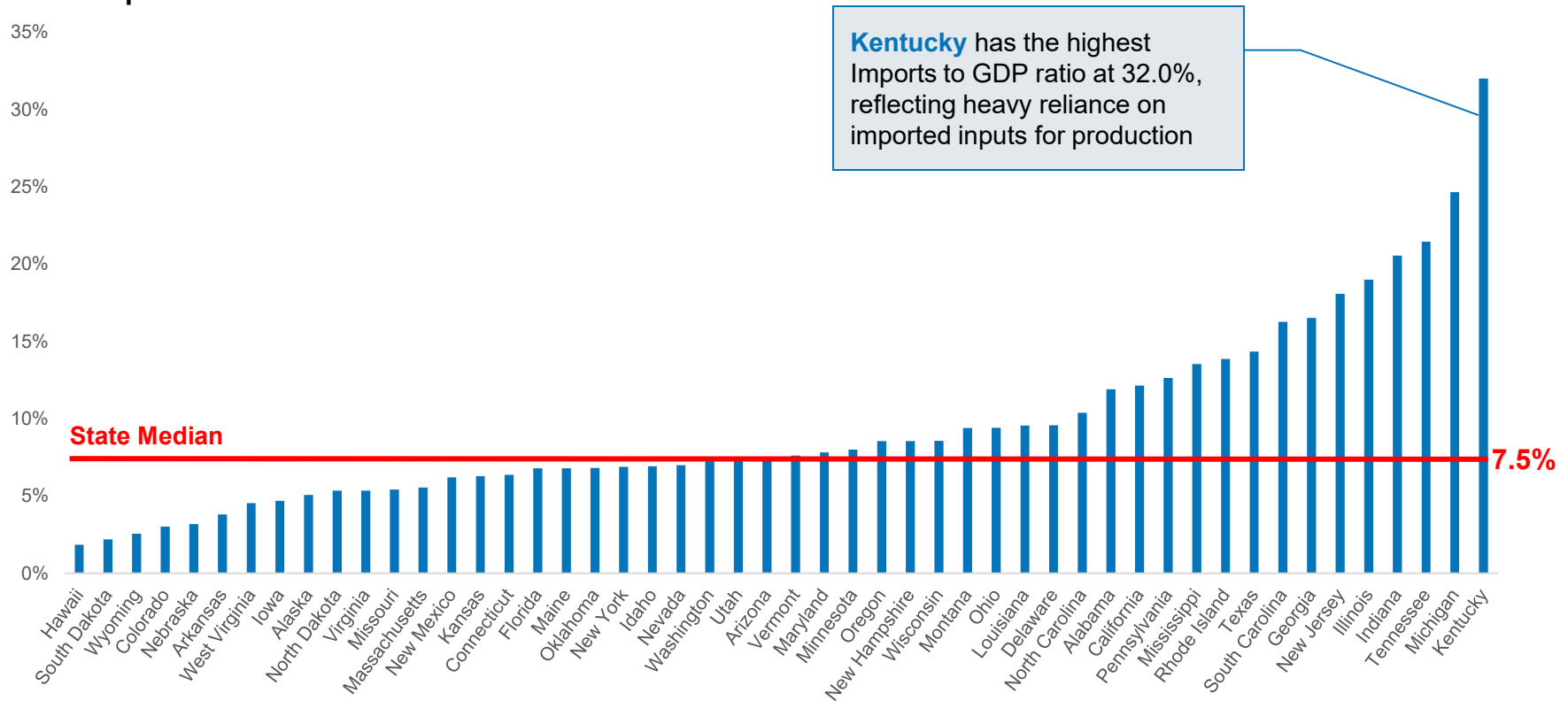


Source: Export data from the US Census Bureau 2024. GDP from the Bureau of Economic Analysis 2024.

Which States Are Most Exposed to Global Imports?

States with higher import dependence face greater sensitivity to tariffs and global supply chain shocks

Global Imports As a % of GDP

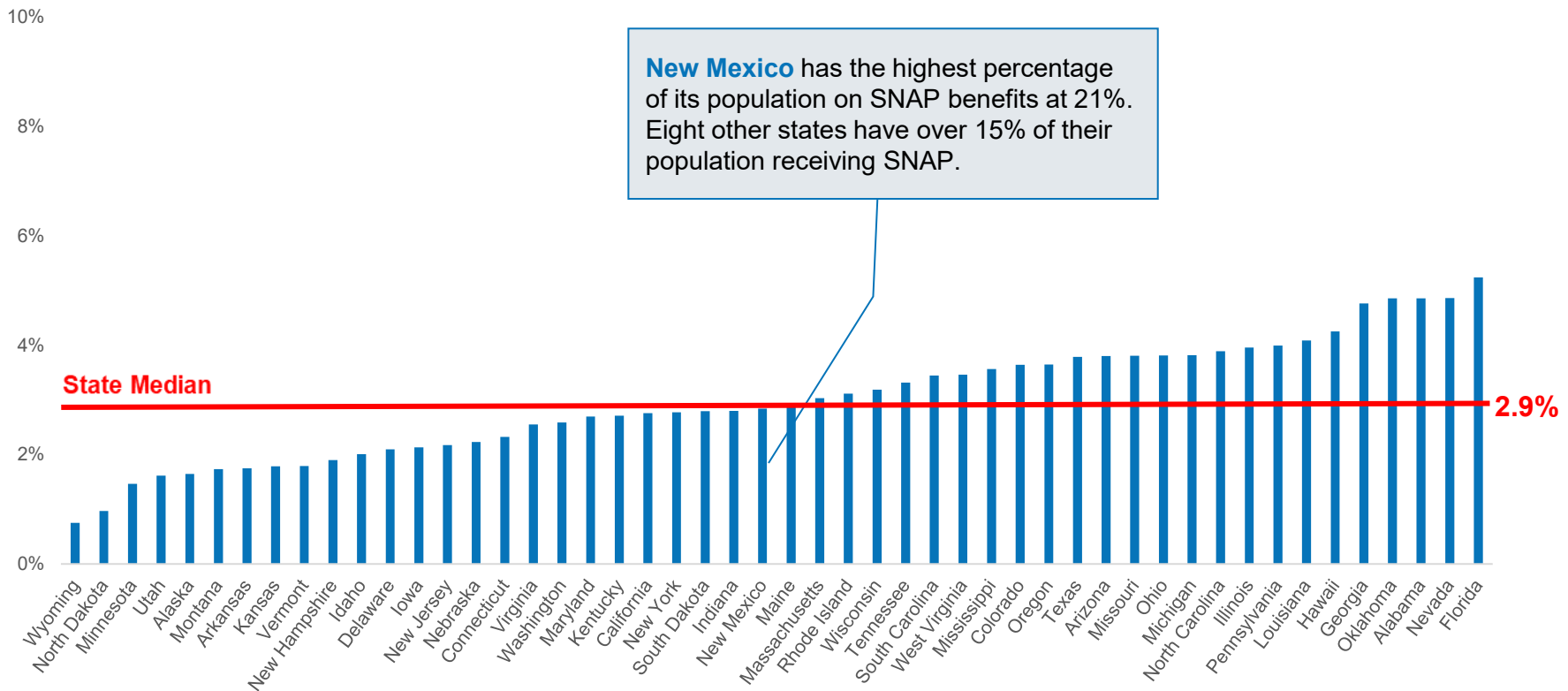


Source: Export data from the US Census Bureau 2024. GDP from the Bureau of Economic Analysis 2024.

Which States Are Most Exposed to Changes in Federal SNAP Support?

States where SNAP benefits make up a larger share of government revenues—and where a higher share of residents rely on the program—may face greater pressure as federal policies evolve

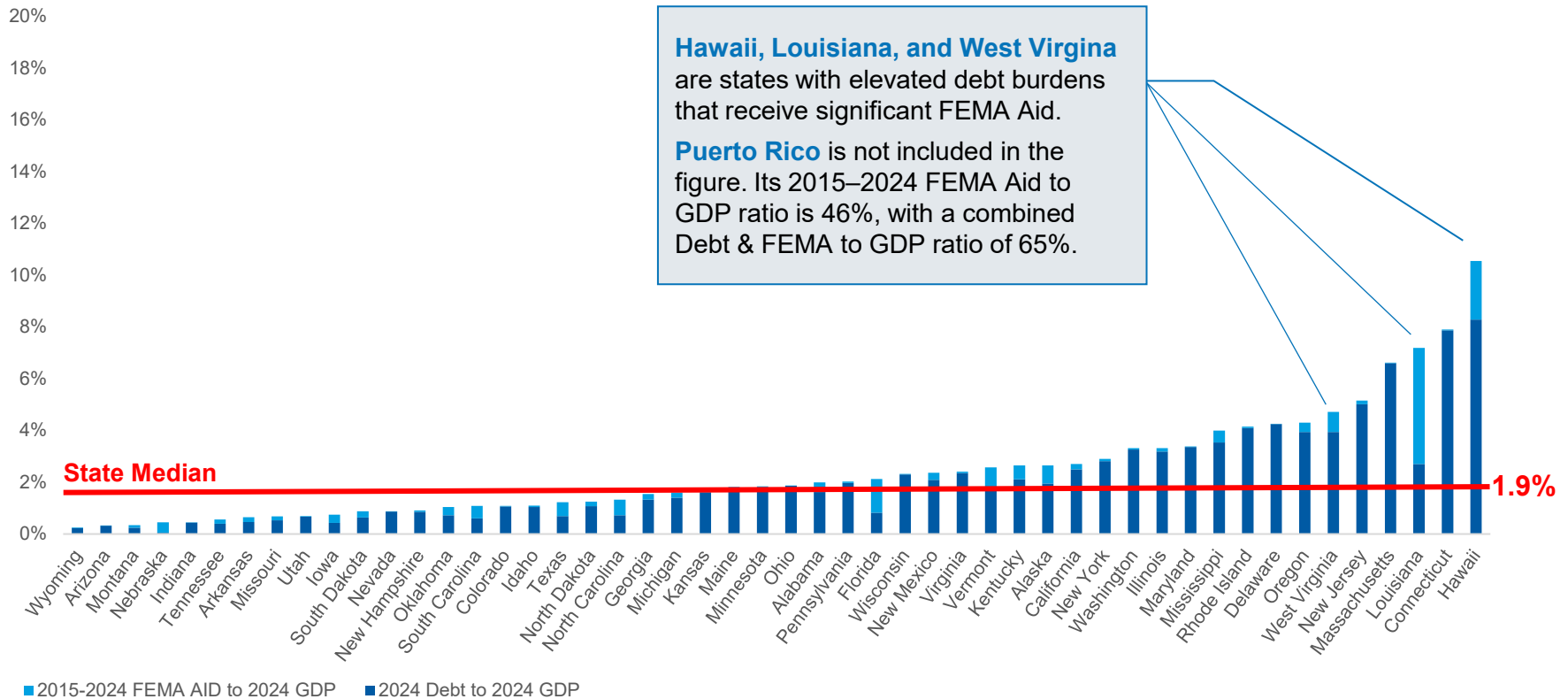
SNAP Benefits as a % of Governmental Revenues



How Could Reduced FEMA Aid Impact States' Debt Burdens?

States that have relied more heavily on FEMA aid may face greater fiscal strain if federal support continues to decline

Debt & FEMA Aid to GDP

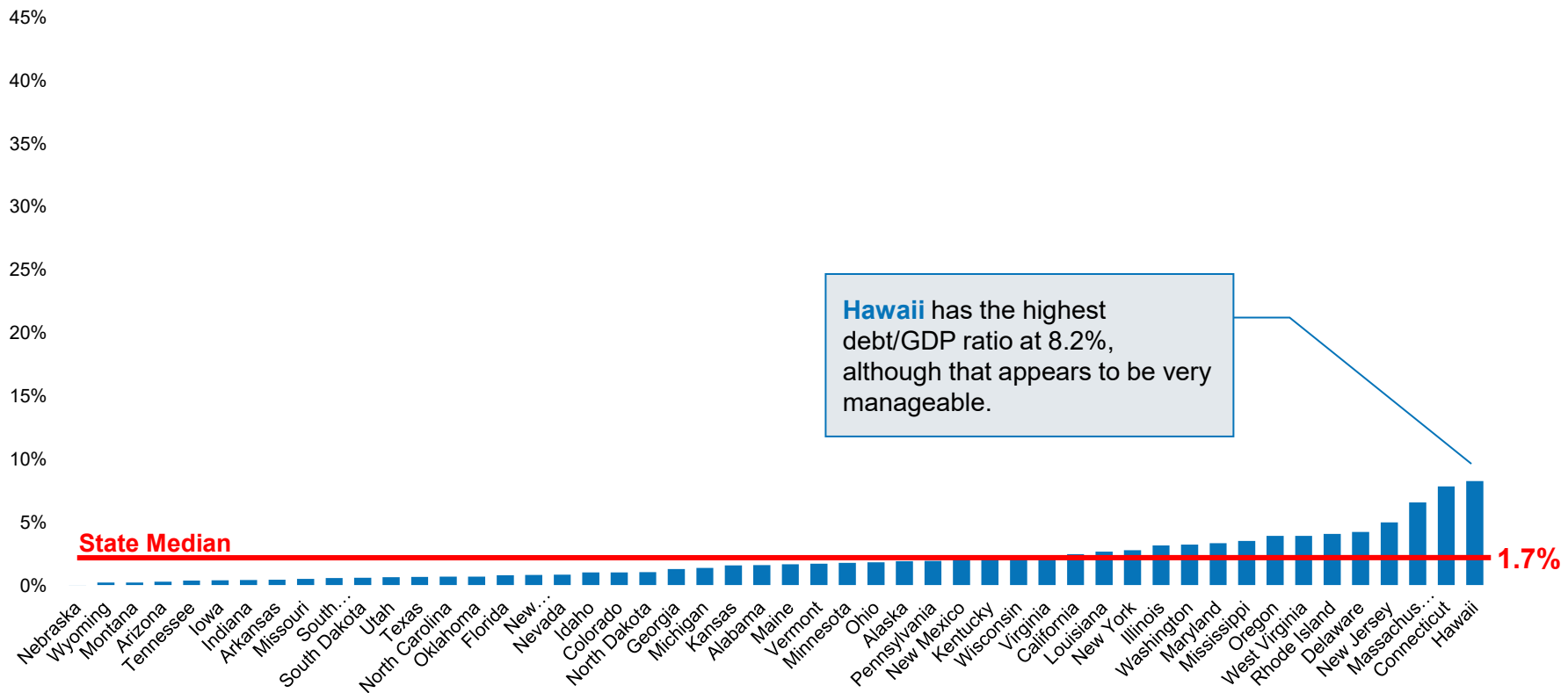


Source: Debt is net tax supported debt ("NTSD") per Moody's. FEMA Aid from Carnegie Endowment For International Peace. GDP from the Bureau of Economic Analysis 2024.

How Are States Managing Their Debt Load?

Many states curtailed borrowing after the Great Recession. Combined with increasing state GDP, this has resulted in state debt remaining low

State Debt % of GDP

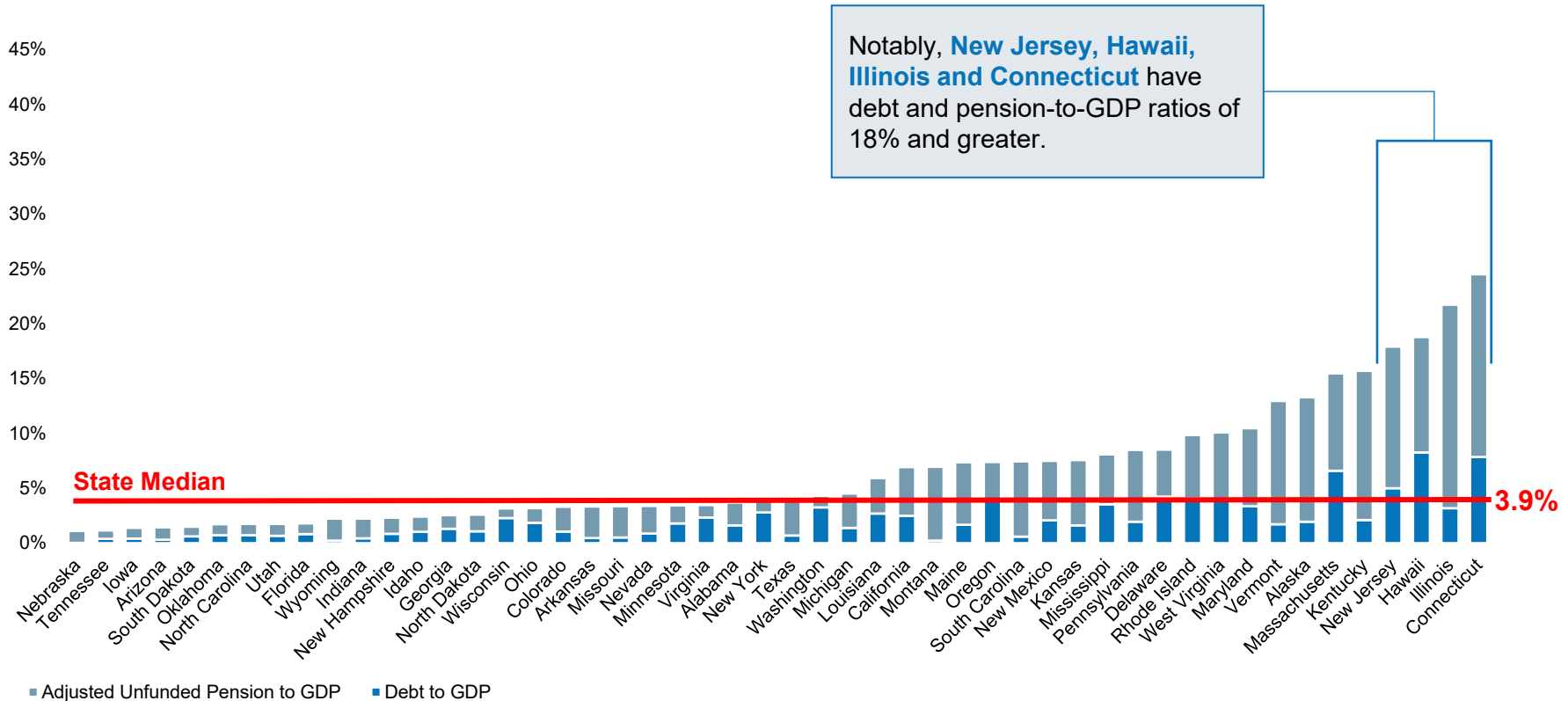


Source: Debt is net tax supported debt ("NTSD") from Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025.

How Heavy Are Debt & Unfunded Pension Burdens?

Due to strong GDP growth, robust investment returns, and pension reforms, the median Debt-to-GDP and Unfunded Pension-to-GDP Ratios declined significantly from 8.3% in 2011 to 3.9% in 2024

State Debt & Unfunded Pensions % of GDP

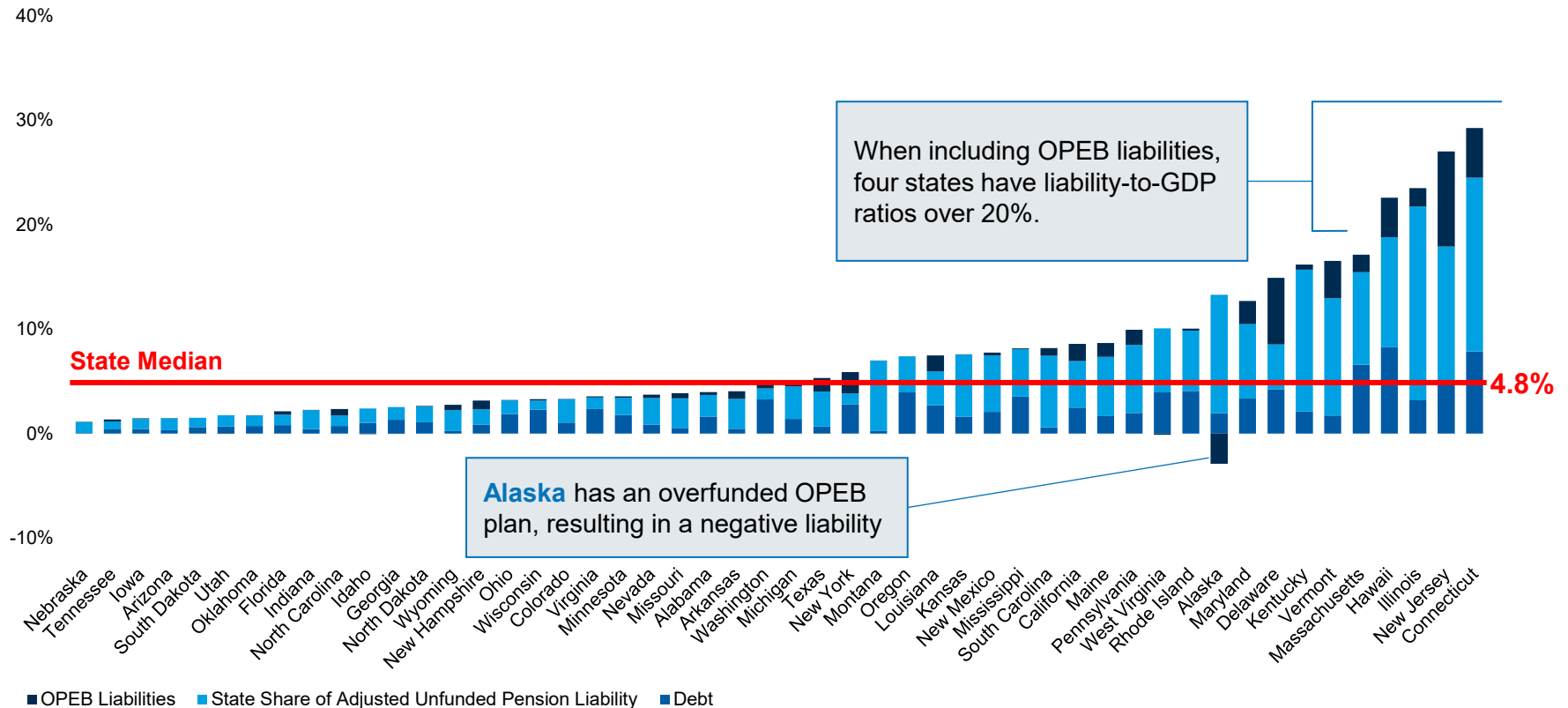


Source: Debt is net tax supported debt ("NTSD") per Moody's. NTSD, unfunded pension liabilities, states' share of estimated pension liabilities, and states' pension plan discount rates Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025. GDP from the Bureau of Economic Analysis 2024.

Which States Are Most Pressured by Debt, Pension & OPEB Liabilities?

Most states maintain manageable burdens, and the state median declined from 11.5% in 2011 to 4.8% in 2024

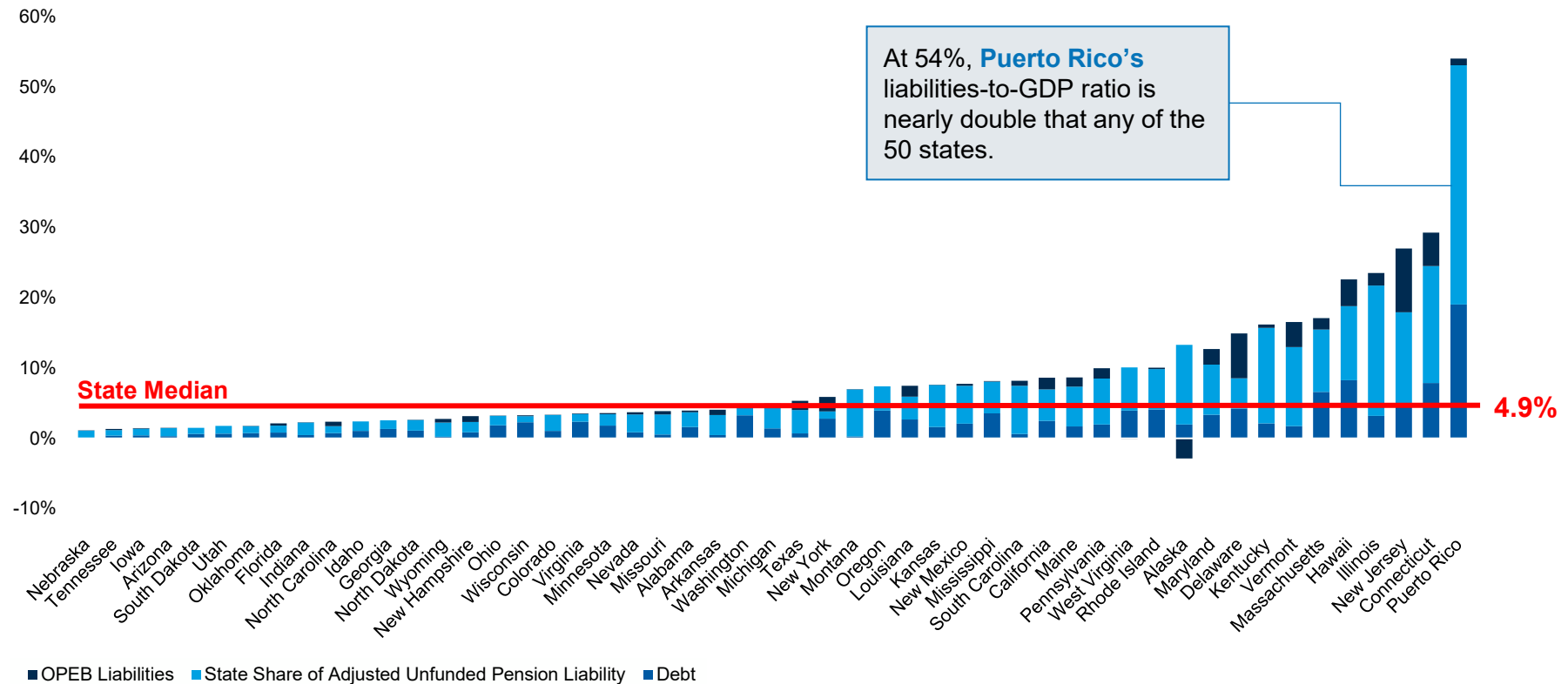
Debt, Pension & OPEB Liabilities as a % of GDP



Source: Debt is net tax supported debt ("NTSD") per Moody's. NTSD, unfunded pension liabilities, states' share of estimated pension liabilities, and states' pension plan discount rates Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025. GDP from the Bureau of Economic Analysis 2024.

No Surprise: Puerto Rico Remains a Significant Outlier

Debt, Pension & OPEB Liabilities as a % of GDP

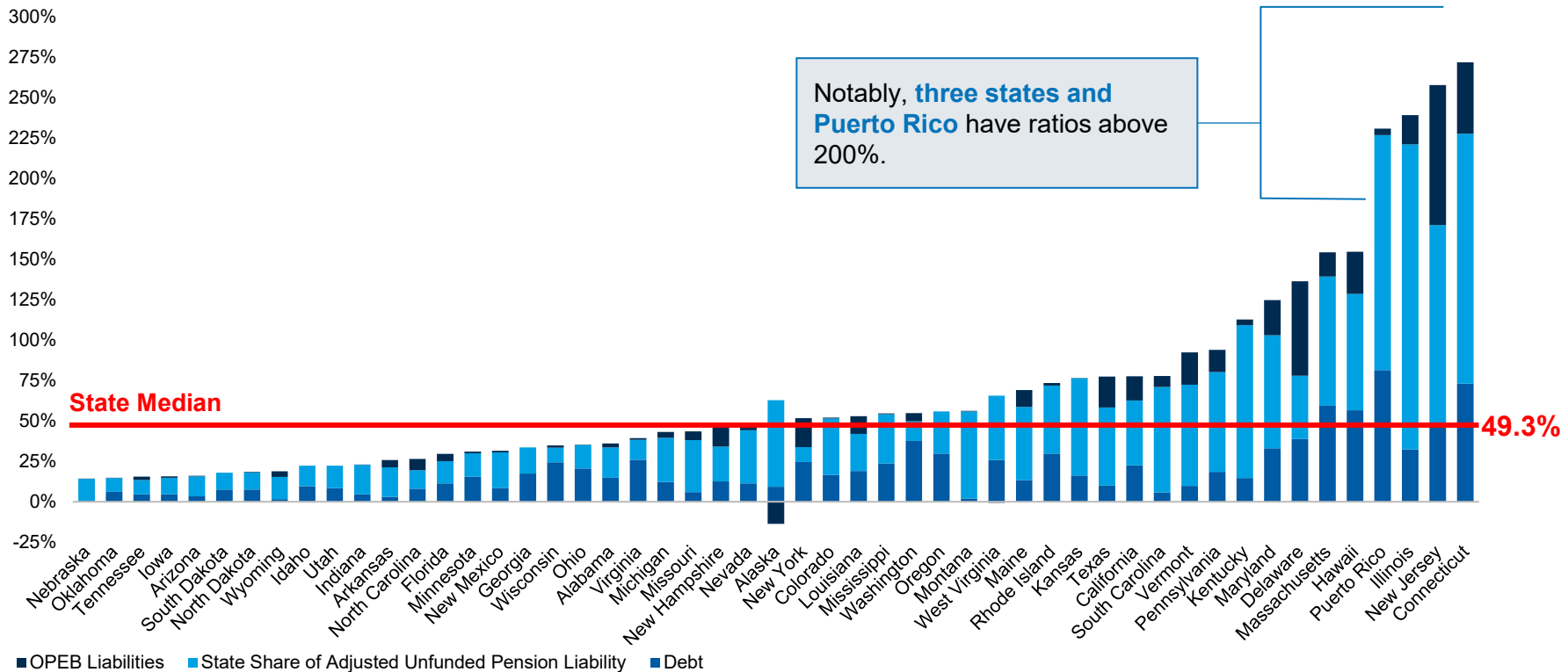


Source: Debt is net tax supported debt ("NTSD") per Moody's. NTSD, unfunded pension liabilities, states' share of estimated pension liabilities, and states' pension plan discount rates Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025. GDP from the Bureau of Economic Analysis 2024.

How Do Debt, Pension & OPEB Loads Compare to Annual Revenues?

Much like a home mortgage, this ratio measures the states' outstanding debt in comparison to annual income

Debt, Pension & OPEB Liabilities as a % of Governmental Revenues

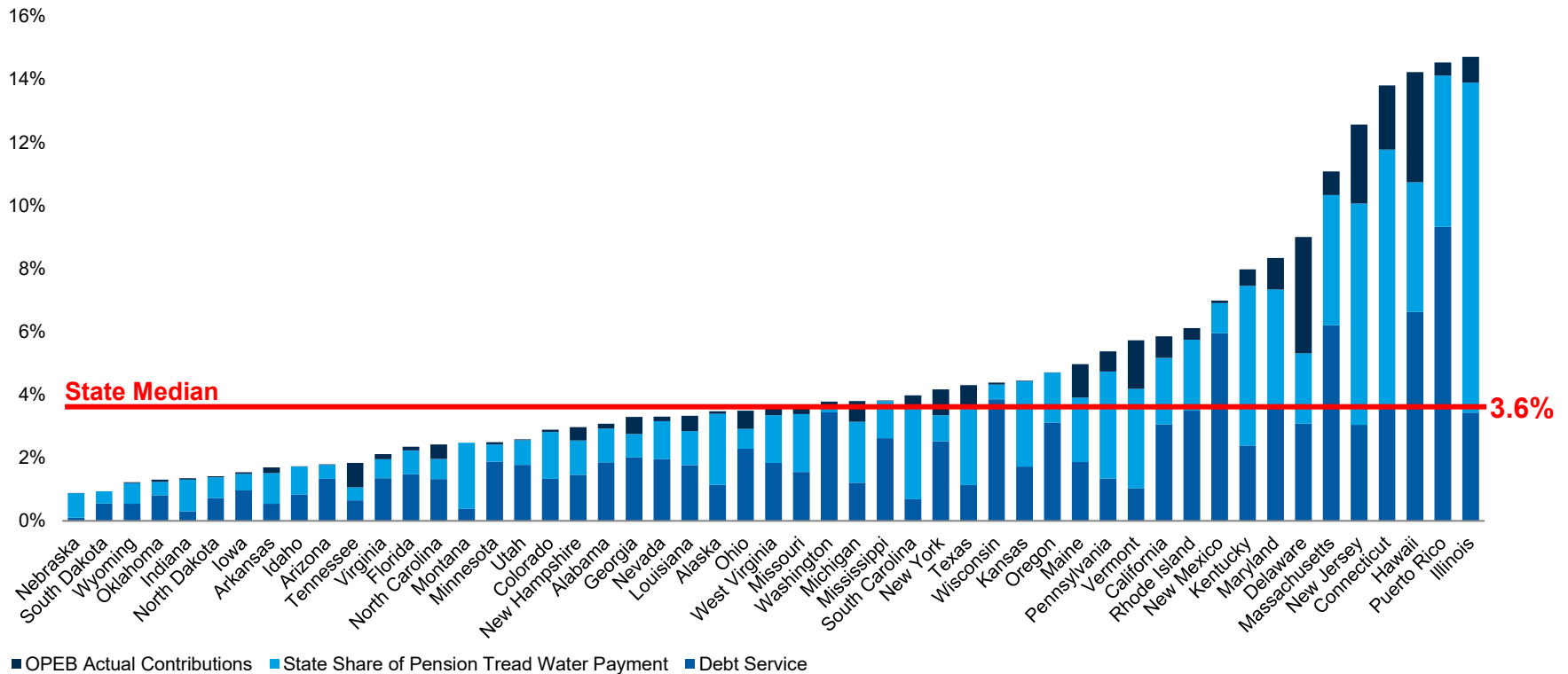


Source: Debt is net tax supported debt ("NTSD") per Moody's. NTSD, unfunded pension liabilities, states' share of estimated pension liabilities, and states' pension plan discount rates Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025. State revenues from most recently available State CAFR's. GDP from the Bureau of Economic Analysis 2024.

Which State Budgets Can Handle Debt, Pension & OPEB Expenses?

Most states are in good shape. But for some states, these expenses could crowd out other spending initiatives

Debt, Pension & OPEB Costs as a % of Governmental Revenues

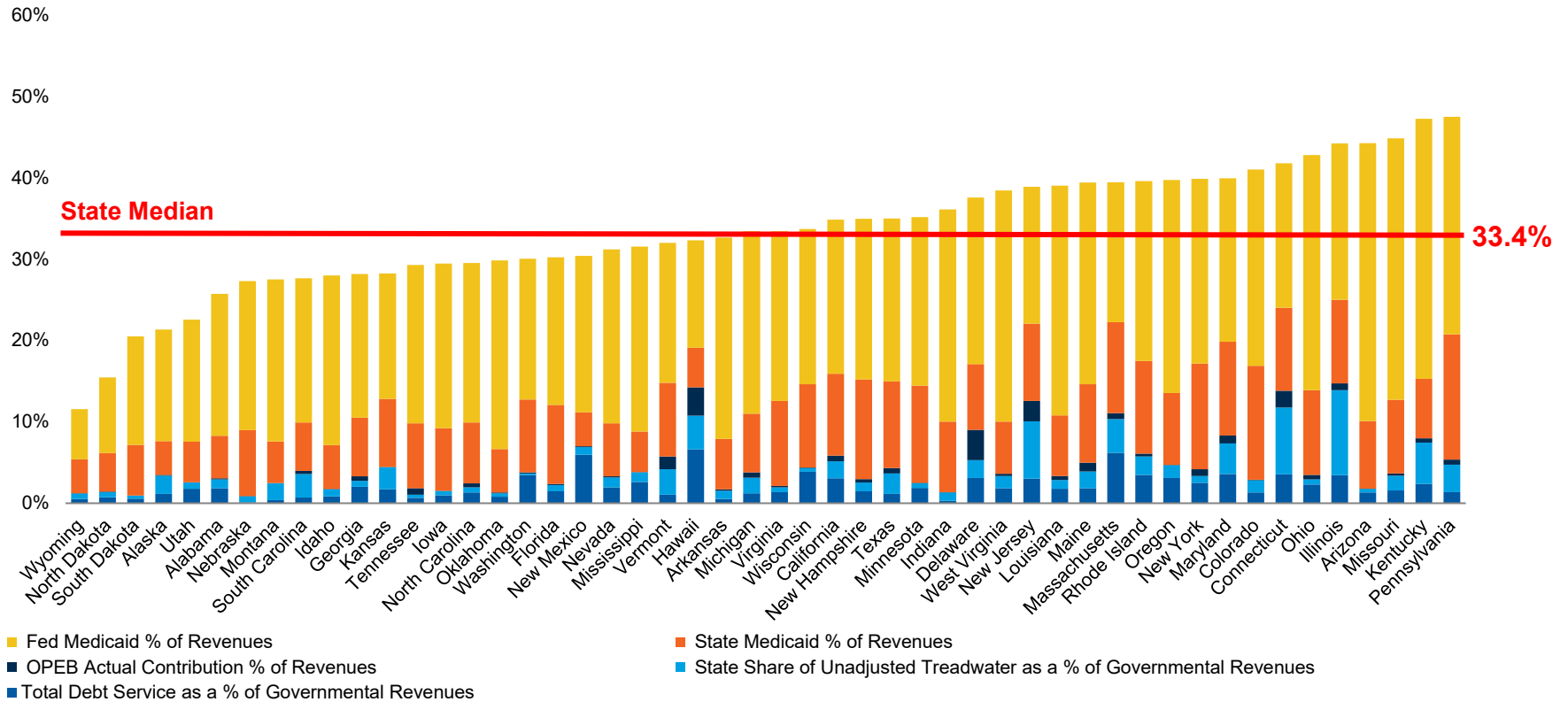


Source: Governmental Revenues from most recently available State CAFRs. Debt service, OPEB Contribution, and State Share of Pension Tread Water from Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025

Medicaid Changes the Picture

Medicaid spending, especially the portion funded through Federal grant money, dwarfs other fixed-cost spending

Debt, Pension, OPEB & Medicaid Costs as a % of Governmental Revenues

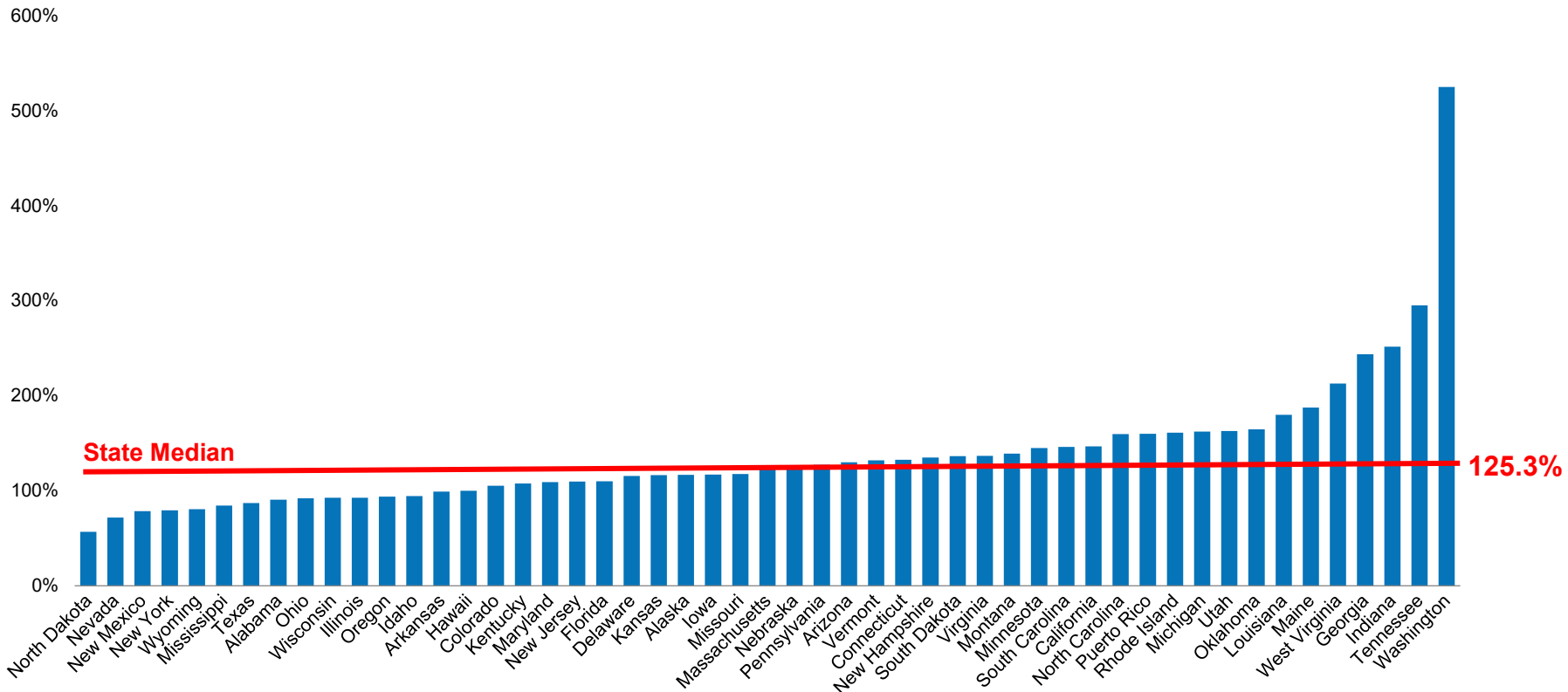


Source: Governmental Revenues from most recently available State CAFRs. Debt service, OPEB Contribution, and State Share of Pension Tread Water from Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025. Medicaid spending data from Medicaid and CHIP Payment and Access Commission, FY 2023 data.

Which States Are Fully Funding Their Pension Contributions?

If a state does not fund, at a minimum, its required tread water contribution (service costs plus net interest costs), pension funded ratios will worsen over time, assuming average investment returns

% of Tread Water Cost Contributed

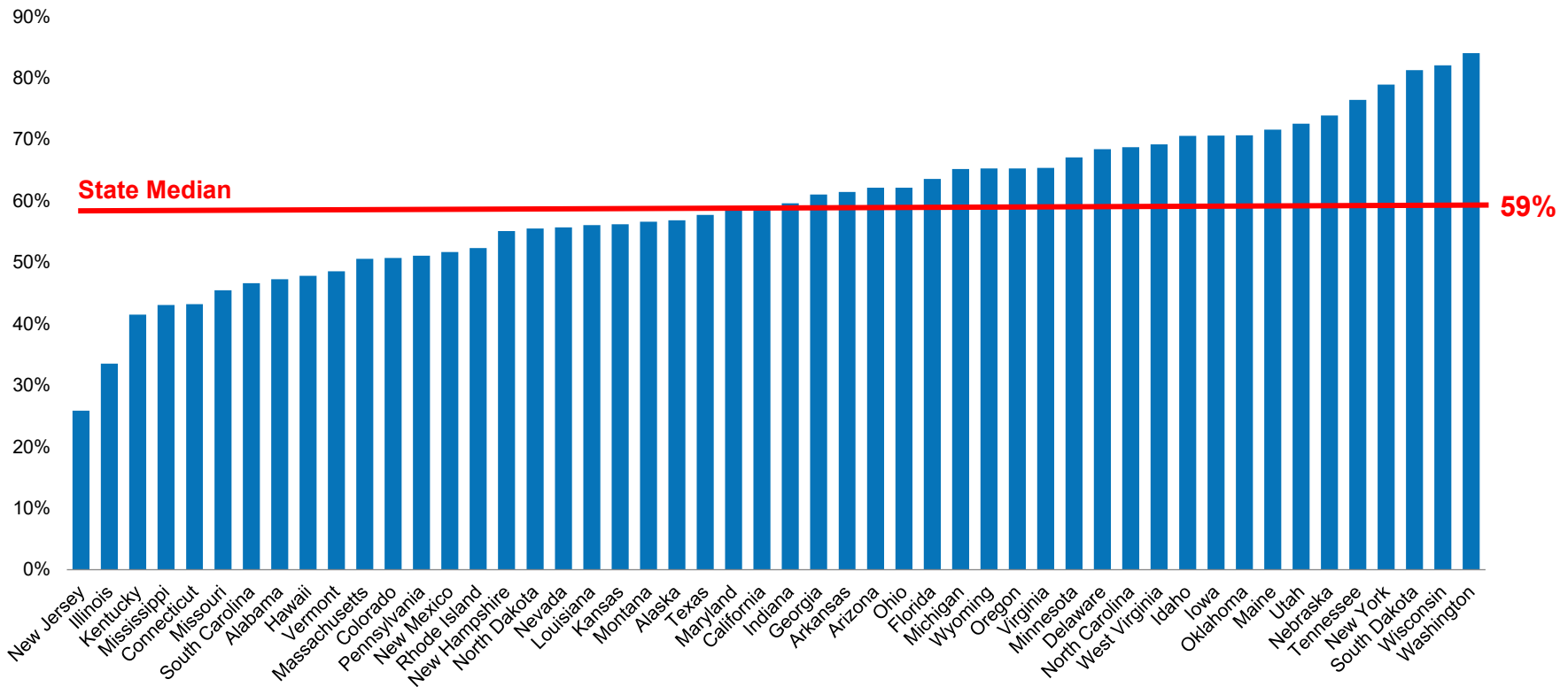


Source: Tread water contributed percentage from Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025

Which State Pensions Are the Most Underfunded?

States that need to contribute more money to their pension plans to meet future obligations have less flexibility for other spending

% Funded

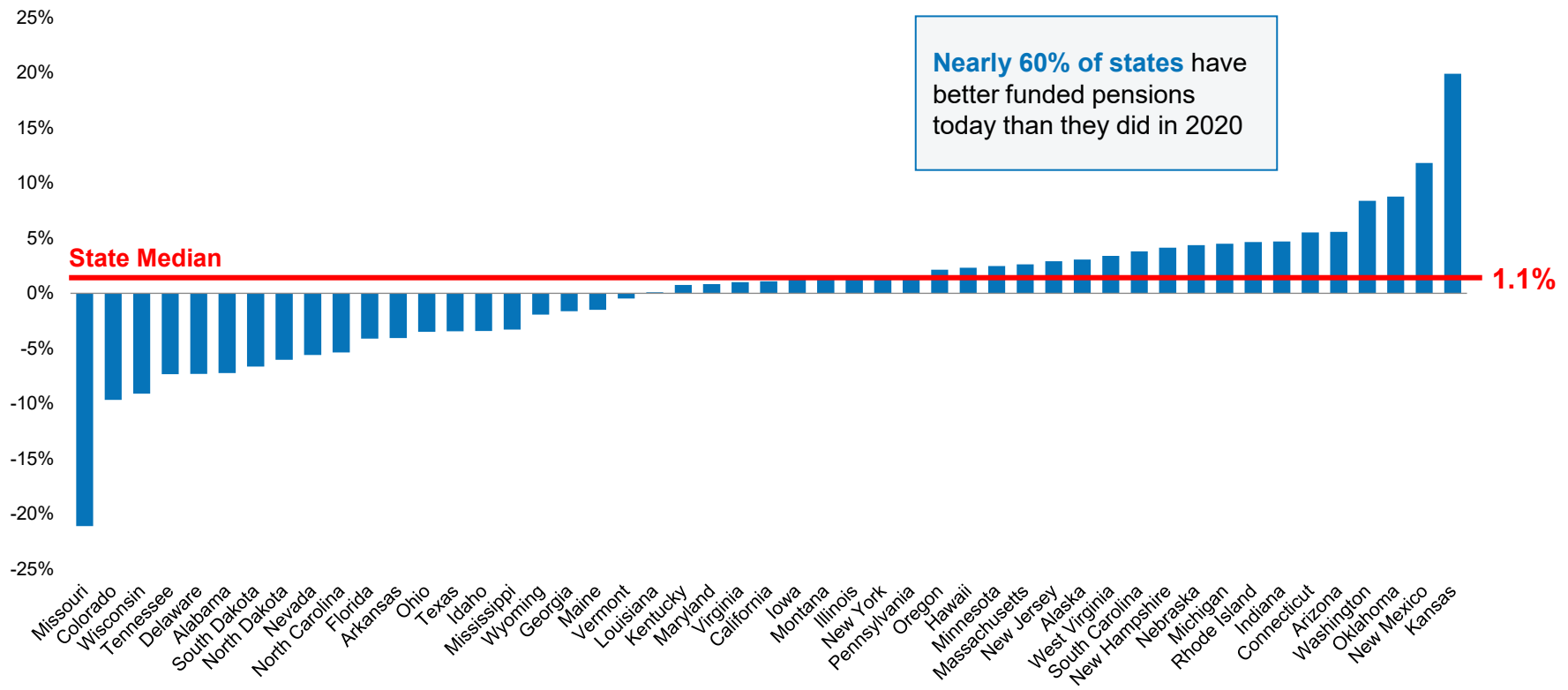


Source: State share of unfunded pension liabilities from Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025.

Which States Are Making Progress on Their Pension Funding?

Some states have made progress toward improving their pension funding, while others have lagged behind

% Change in Funded Ratio 2020-2024

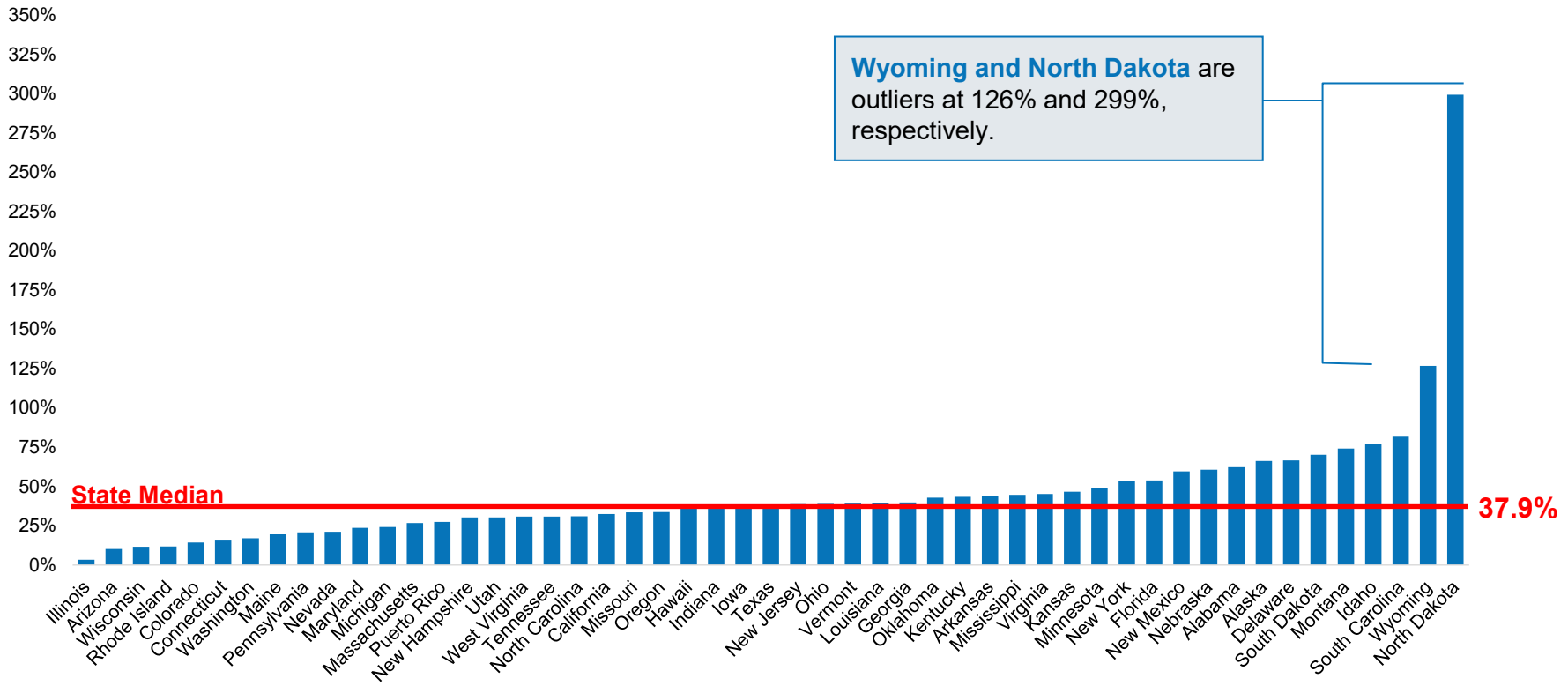


Source: State share of unfunded pension liabilities from Moody's "State pension liabilities continue to decline, improving leverage metrics" September 2025.

How Much Cushion Do States Have to Mitigate Financial Risks?

A high general fund balance signifies that a state has adequate financial resources to mitigate current and future financial risks

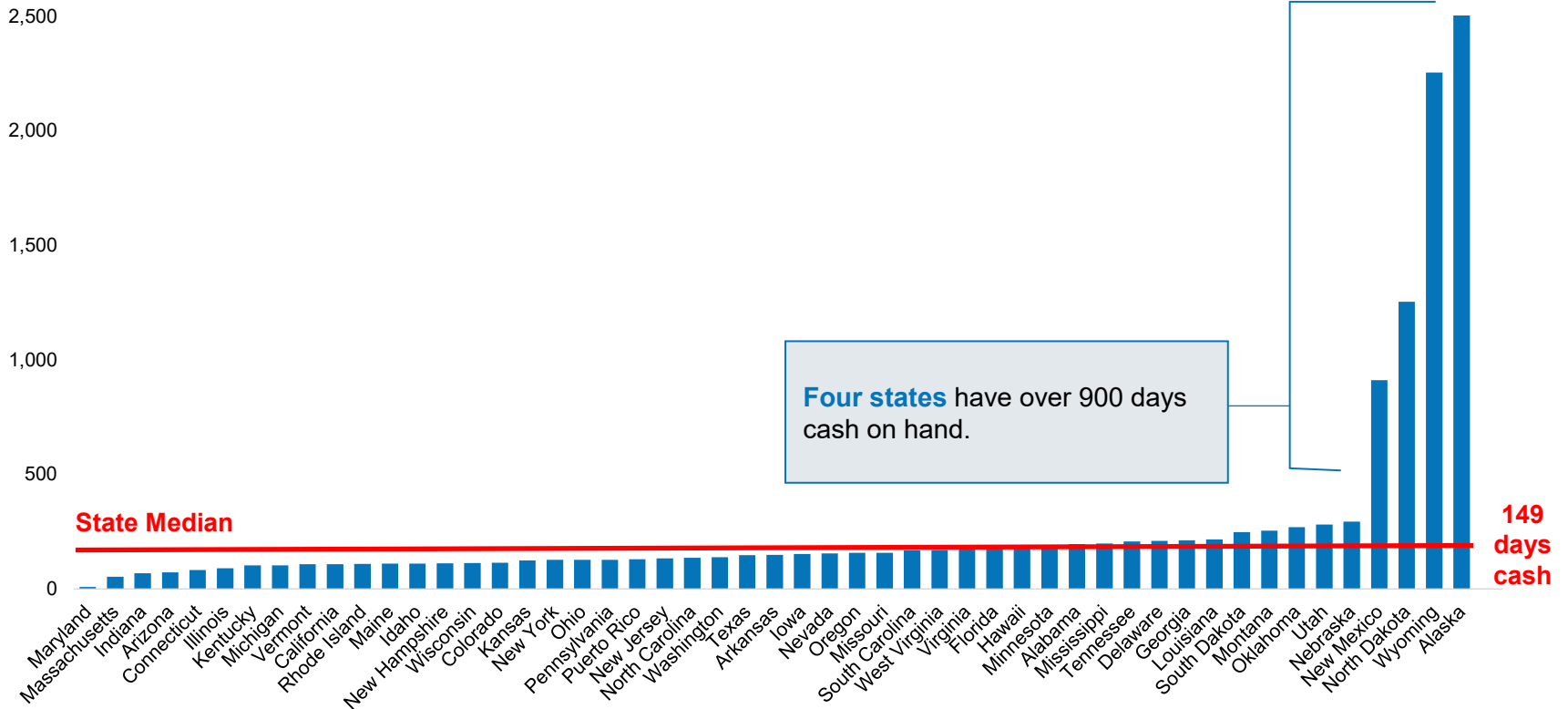
General Fund Balance as a % of State Governmental Revenues



How Much Liquidity Does Each State Have?

High levels of liquidity ensure that a state can make payments on time without the need for short-term borrowing

Days of Cash on Hand

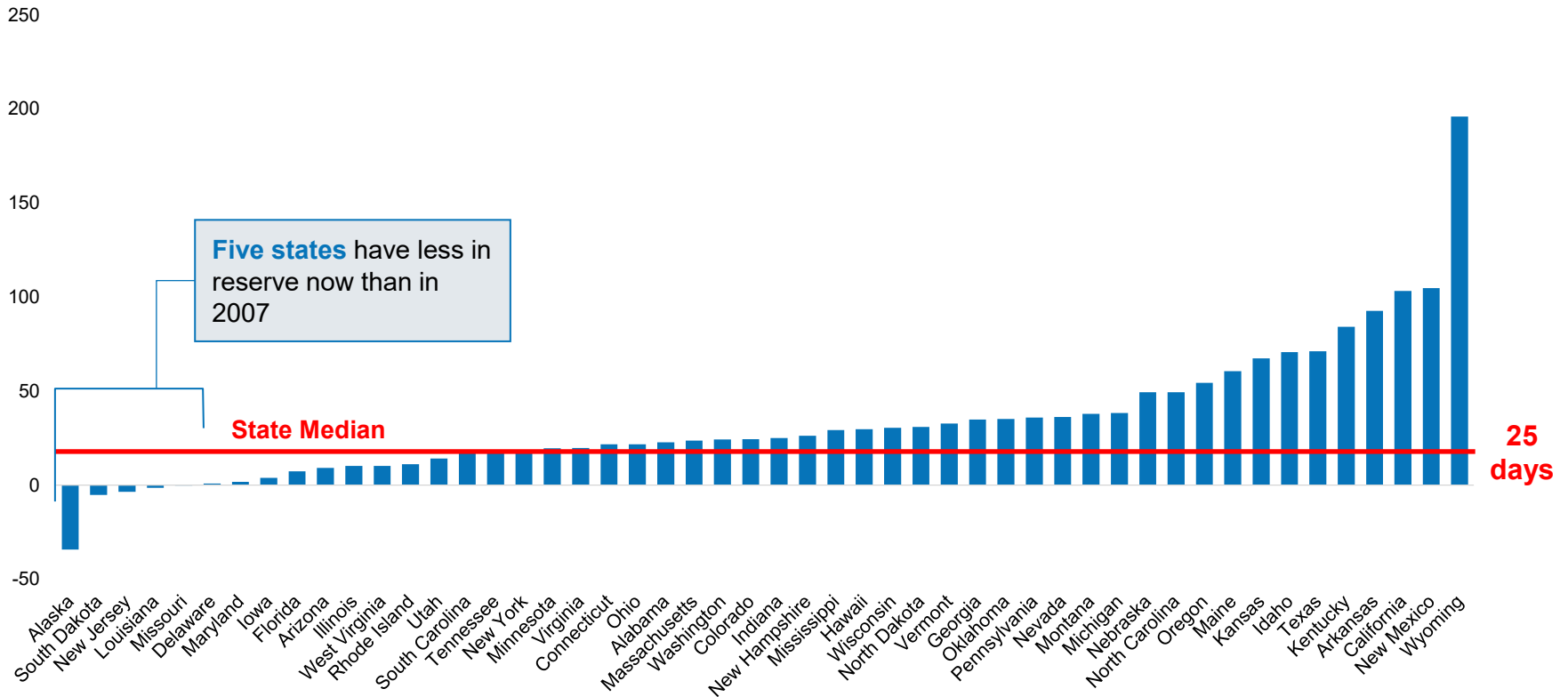


Source: Governmental Funds liquidity from State CAFRs. Days cash on hand is calculated as cash and investments available in the governmental funds divided by annual governmental fund expenditures and then multiplied by 365.

Which States Have Been Building Reserves?

Comparing current rainy day fund balances (in days of operations) to balances in 2007 helps measure how prepared each state is for recessions and downturns

Change in Rainy Day Fund Days Cash

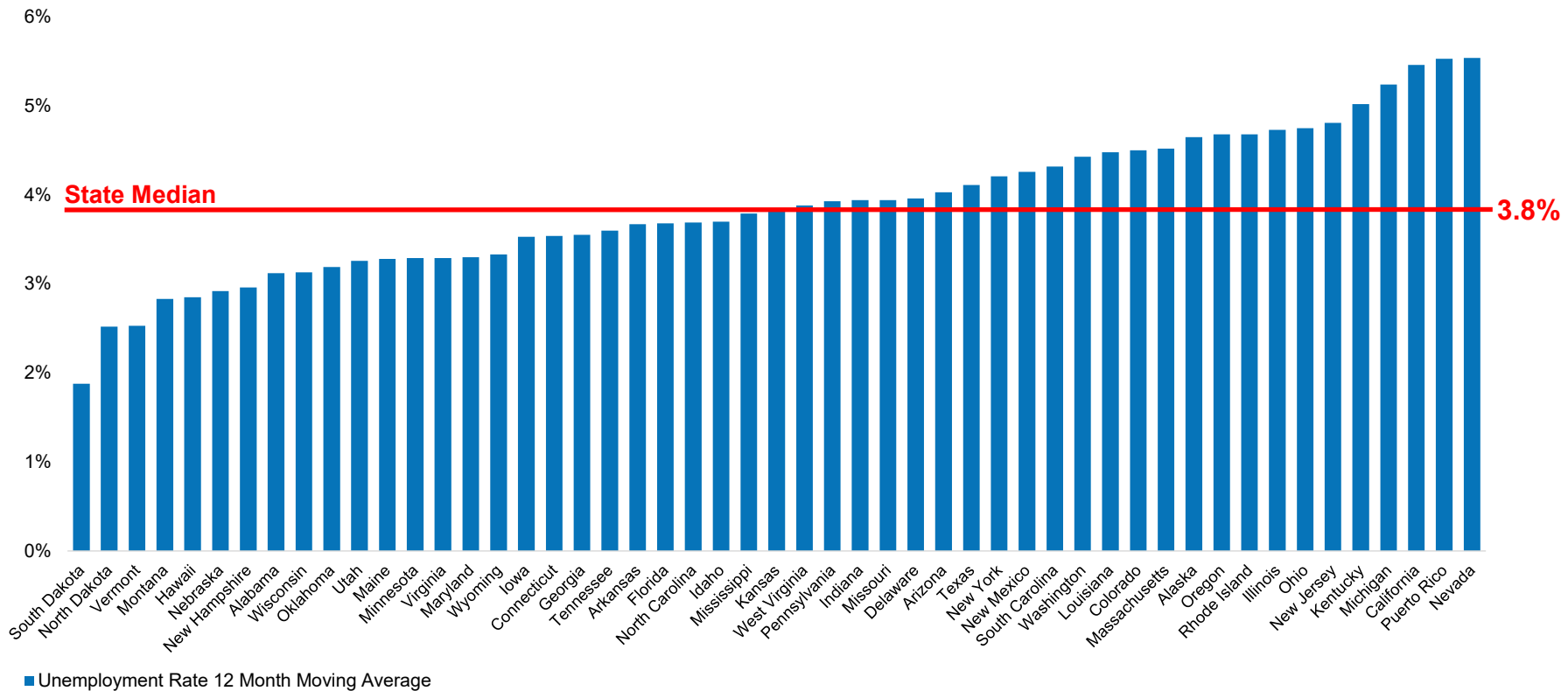


Source: Rainy day fund balances from Pew Research "Fiscal 50 – State Trends and Analysis" as of FY 2024. Balances in terms of days of general fund expenses in reserve.

Which States Are Battling High Unemployment?

The 12-month moving average unemployment rate is a general measure of a state's economic and labor force health

Unemployment Rate

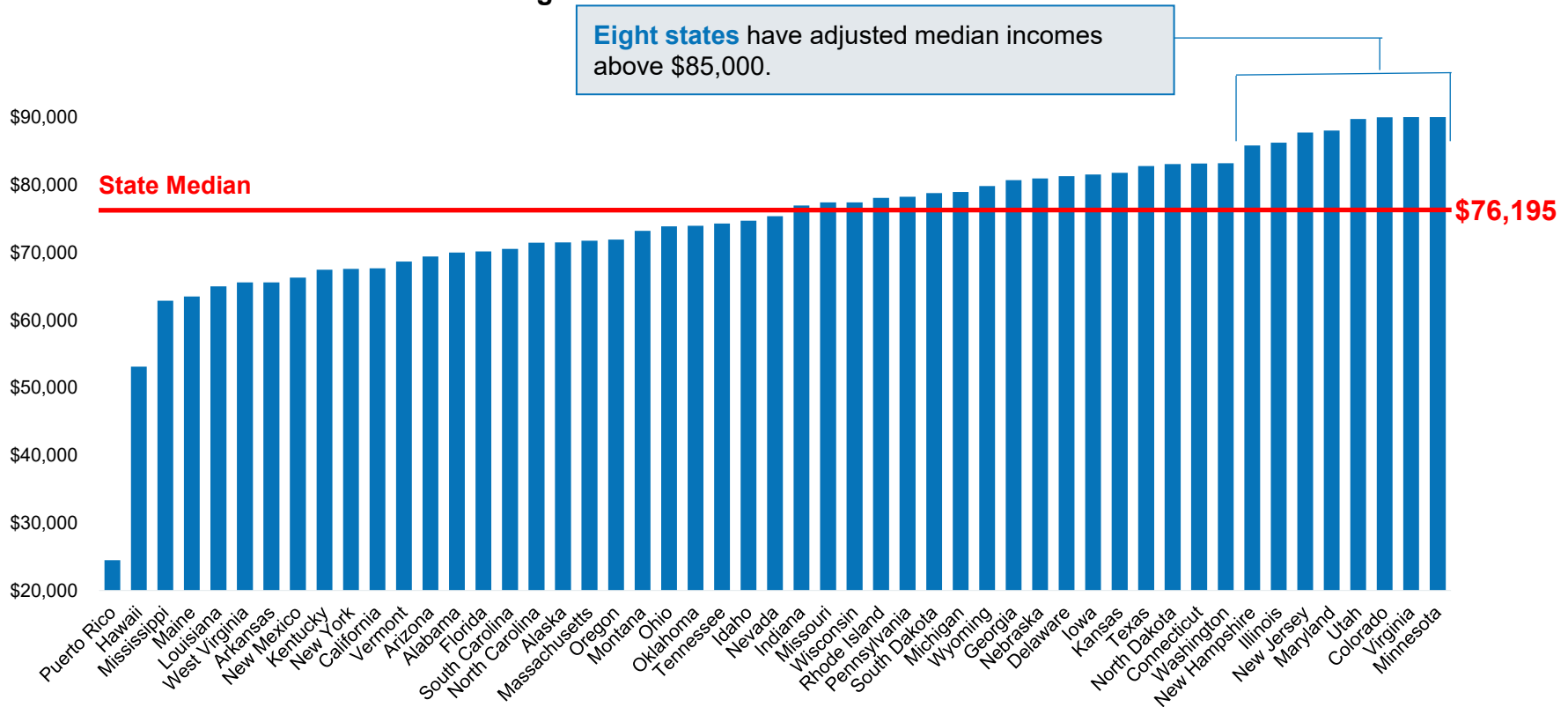


Source: Unemployment rates for the past 12 months from BLS, as of September 2024.

Which States Have the Wealthiest Households?

Median household income adjusted for cost of living is one measure of the strength of a state's tax base

Median Household Income/Cost of Living

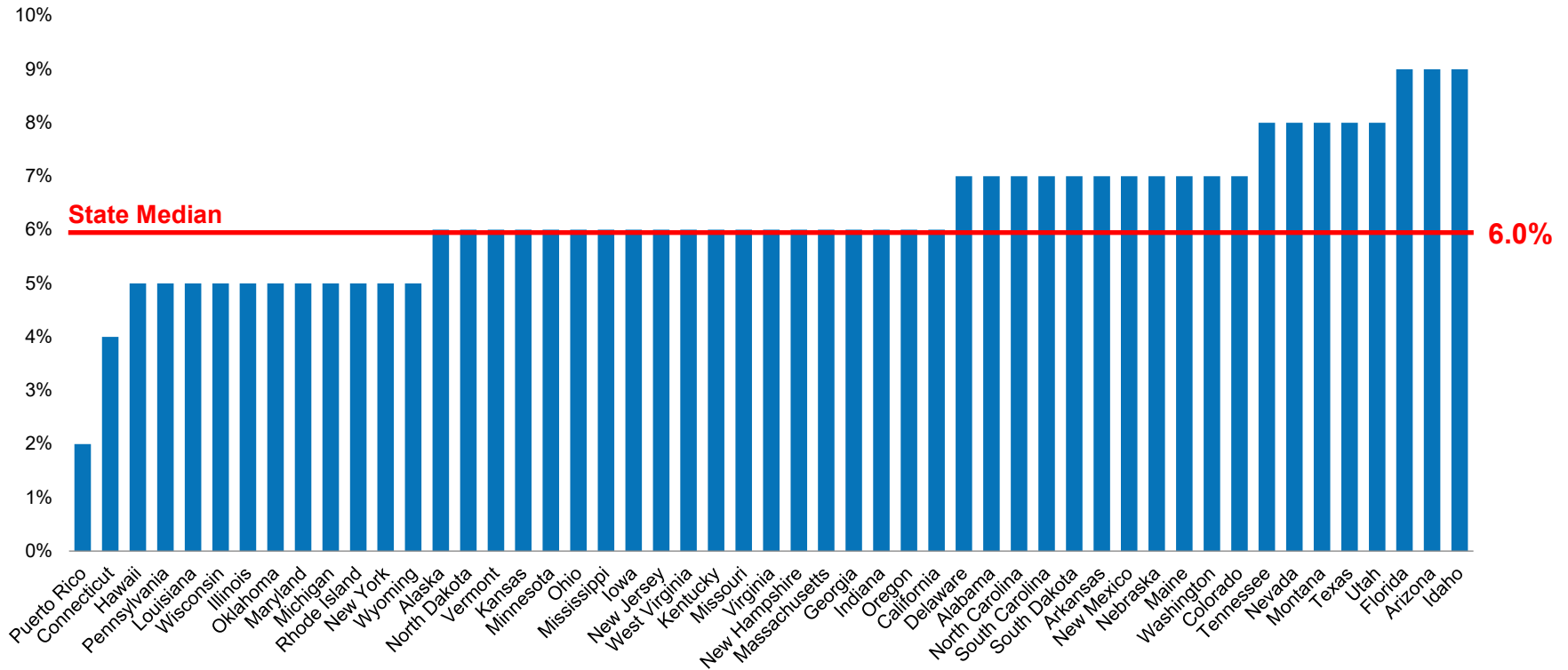


Source: Median Household Incomes from Census Bureau 2024 one-year estimates. Cost-of-living adjustment from the Missouri Economic Research and Information Center, 2025 Q2 data. To adjust for cost of living, we divide the median household by the cost-of-living index value, which is given as a % of the U.S. average.

Which States Fall Short in Terms of Economic Growth?

Real state GDP growth provides a measure of the health of the economy in each state

GDP Growth

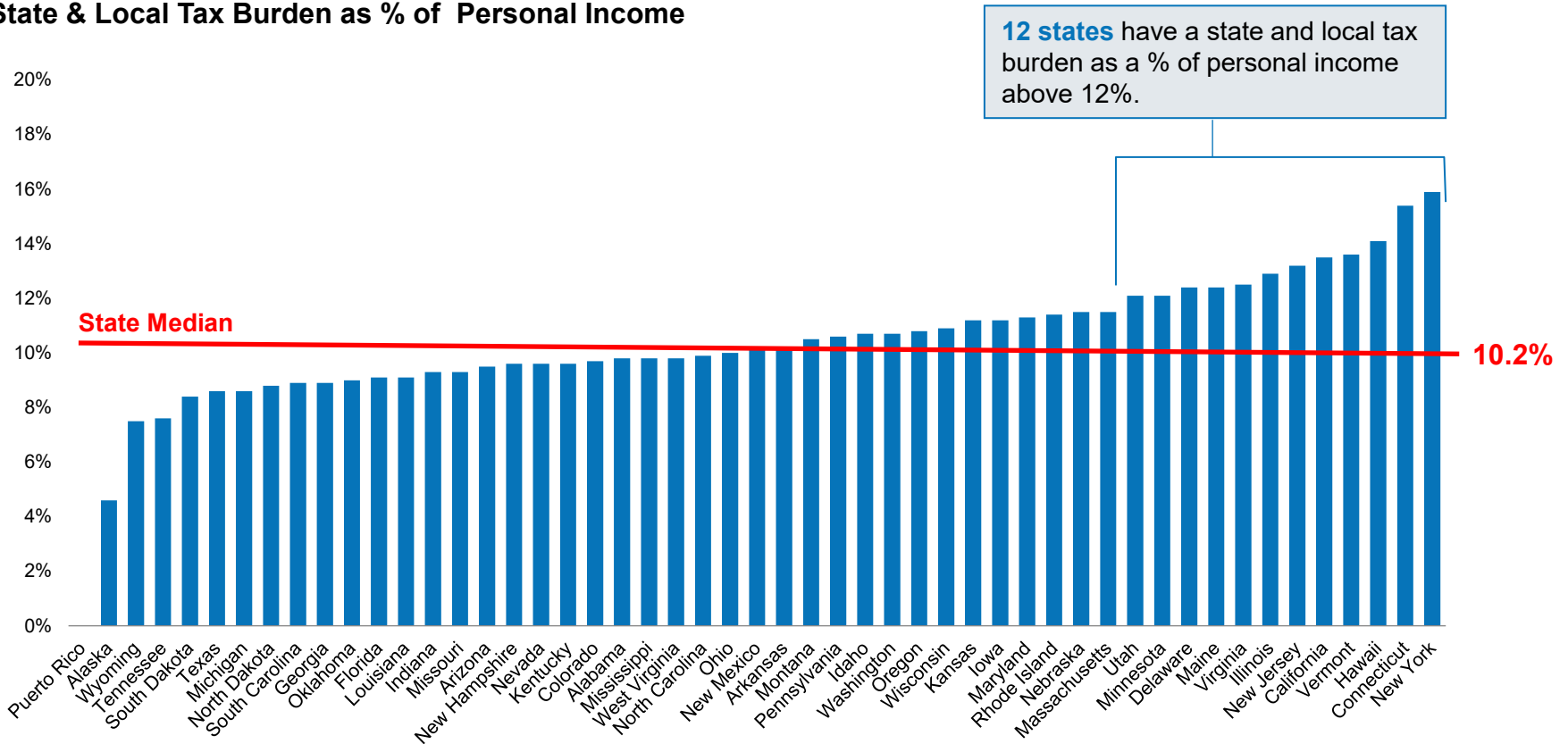


Source: Real GDP growth from 2019 – 2024 annualized from the Bureau of Economic Analysis 2024 GDP Estimates. Puerto Rico GDP as of 2022.

How Much Flexibility Do States Have to Raise Taxes?

State and local tax burden as a percentage of personal income can help measure a state's flexibility to increase taxes to generate additional revenue

State & Local Tax Burden as % of Personal Income

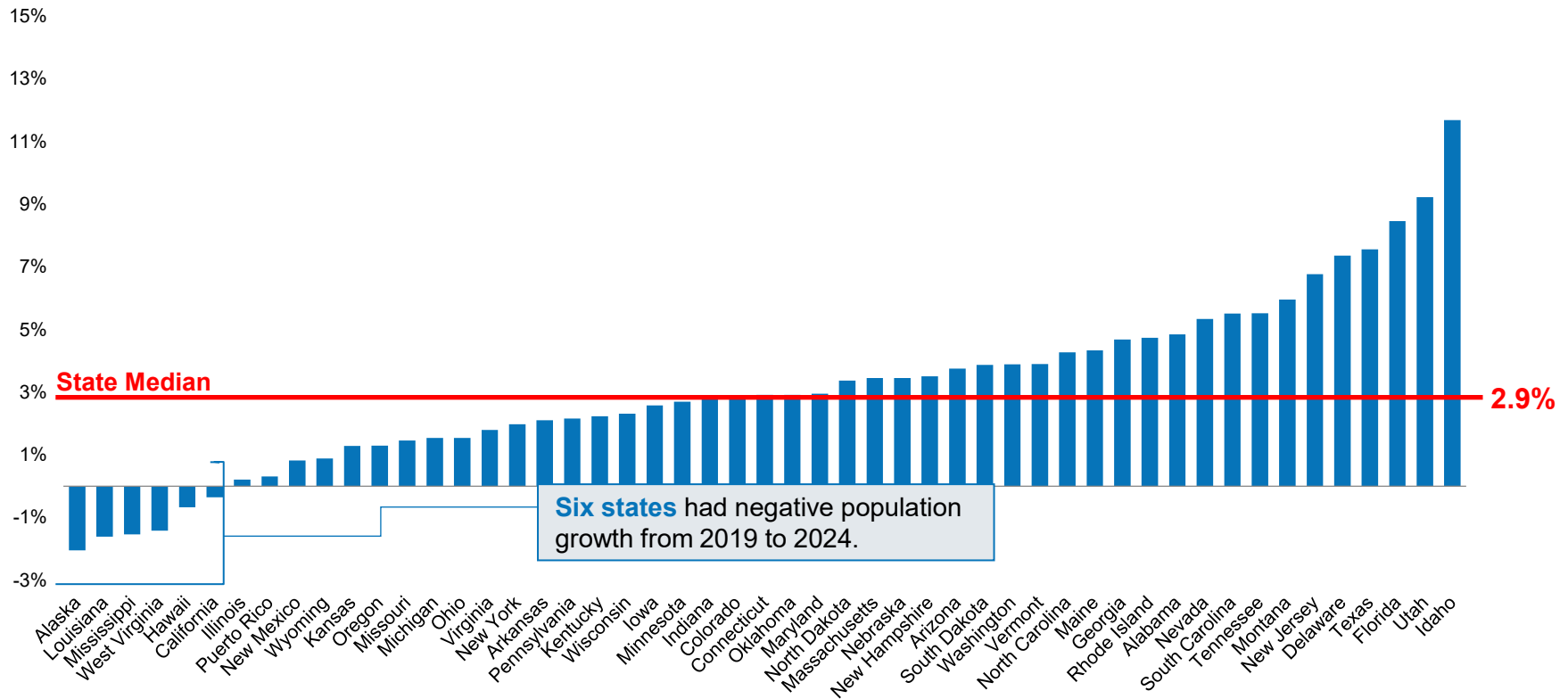


Source: Tax burdens as a percent of personal income from taxfoundation.org published 2022. Tax burden information was unavailable for Puerto Rico.

Which States Have the Highest Population Growth?

State population growth provides a measure of how desirable a state is to live in, which may impact revenue trends, but also may influence infrastructure spending

Population Growth

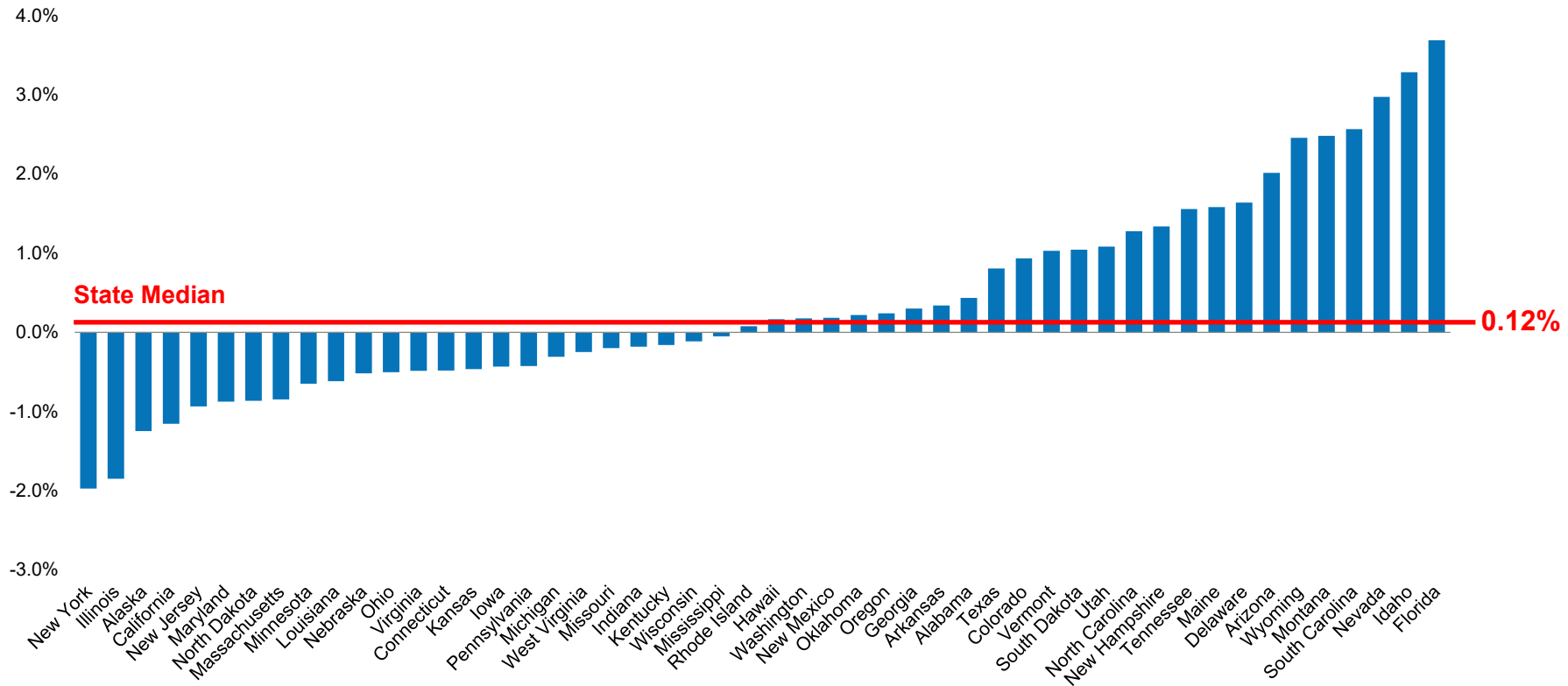


Source: Population growth from Census Bureau 2024 population estimates and 2019 population estimates.

How Has Population Migration Affected State Tax Bases?

People may move between states for a variety of reasons: taxes, weather, retirement, schools, etc. Regardless of the reason, population migration affects the income tax base of the states. Some have fared much better than others over the past five years

Average Annual Migration Driven Change in AGI



Source: Migration and Adjusted Gross Income data from IRS Statistics of Income Division. Data covers five years of change in AGI by state due to migration, from 2018 through 2022.

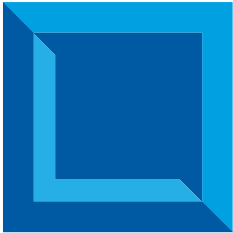
Conclusion

While we have focused on state data in this presentation, there are over 40,000 different local general obligation (GO) and essential service credits.

- In some highly ranked states, there are certain local issuers that may pose a credit risk.
- Conversely, in some low-ranking states, certain local issuers may exhibit strong credit characteristics.

Independent, professional credit research is more important than ever in navigating the vast, disparate municipal bond market.

The Bottom Four States



The Bottom 4: Why Do These States Rank So Low?



Illinois (No. 50)

Illinois governance and fiscal position have improved. That said, large pension liabilities, limited budgetary flexibility, and projected out-year deficits remain a credit challenge.



New Jersey (No. 49)

Despite positive pension funding and debt defeasance actions taken over the last four years, New Jersey's fixed cost liabilities remain sizeable and will continue to constrain budget flexibility.



Kentucky (No. 48)

Poorly funded pensions, below average economy and wealth levels drive Kentucky's low ranking.



Pennsylvania (No. 47)

Despite reserves rising to record levels, below average job growth contributed to a reversal of the Commonwealth's recent trend of operating surpluses and resulted in fund balance drawdowns.

Eaton Vance Municipal Credit Research Team

Credit research team with extensive experience

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Co-Head of Municipal Credit Research

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28 Years with the Firm

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Co-Head of Municipal Credit Research

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15 Years with the Firm

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26 Years with the Firm

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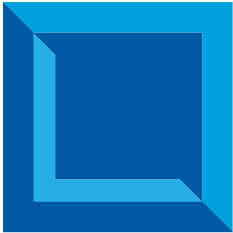
MATTHEW WASSERSUG

Research Associate

3 Years of Industry Experience

1 Year with the Firm

Ranking Methodology



How We Rank the States and Puerto Rico

This report presents state and Puerto Rico rankings based on Eaton Vance's proprietary ratings methodology:

QUANTITATIVE FACTORS

QUALITATIVE FACTORS

ECONOMY AND WEALTH

Projected budget shortfalls or surpluses

FINANCIAL PERFORMANCE

Historical record of meeting projections

DEBT

Pension or OPEB reform initiatives

UNFUNDED RETIREMENT OBLIGATIONS

Success of proposals to increase revenues, decrease expenditures

Quantitative Factors in Our Methodology

DEBT, ADJUSTED UNFUNDED PENSION
LIABILITY AND UNFUNDED OPEB
LIABILITY AS A PERCENTAGE OF
GROSS STATE PRODUCT

High levels of debt or significant unfunded retirement obligations can cut into a state's budget, reducing resources available.

PERCENTAGE OF PENSION TREAD
WATER CONTRIBUTION

A low contribution percentage will lead to increasing net pension obligations over time.

ADJUSTED PENSION LIABILITY
FUNDED RATIO

The lower the ratio, the more a state may need to invest in its pension plans to meet future obligations, reducing flexibility for other spending.

GENERAL FUND BALANCE AS A
PERCENTAGE OF REVENUES

A high general fund balance signifies that a state has adequate financial resources to mitigate current and future financial risks.

Quantitative Factors in Our Methodology (cont'd)

GOVERNMENTAL FUND LIQUIDITY

High levels of liquidity ensure a state can make its payments on time, without the need for short-term borrowing.

STATE UNEMPLOYMENT RATE

Low unemployment tends to correlate with higher economic growth, productivity and increasing state tax revenues.

MEDIAN HOUSEHOLD INCOME

When adjusted for cost of living, wealthier states tend to have higher revenue-raising flexibility and more economic activity.

REAL GDP GROWTH

A growing economy increases incomes, raises governmental revenues, and helps keep unemployment low.

POPULATION GROWTH

Higher levels of population growth drive increasing revenues and can help support higher debt burdens at the state level.

Risk Considerations

There generally is limited public information about municipal issuers. Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. As interest rates rise, the value of certain income investments is likely to decline. Investments rated below investment grade (sometimes referred to as "junk") are typically subject to greater price volatility and illiquidity than higher rated investments.

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For important information about the investment managers, please refer to Form ADV Part 2.

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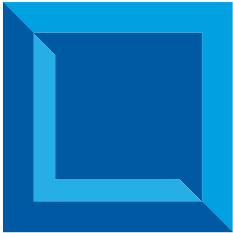
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