

State of the States: How Do They Rank?

Eaton Vance Municipal Research Team
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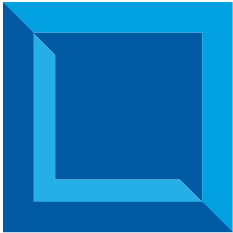
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Overview



Summary

CREDIT OUTLOOK:

Stable
for most states

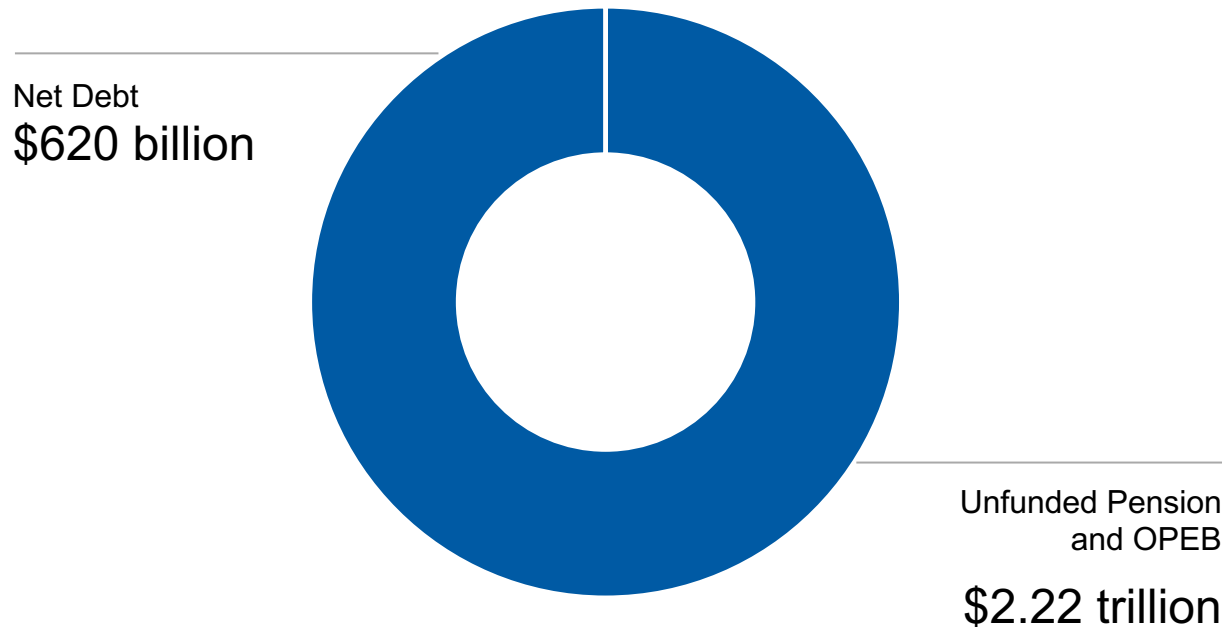
- Rainy day fund balances are at all-time highs with the median state now at 13% of expenditures in 2024 and is expected to increase to 15% in 2025.
- After two of the fastest growing years of general fund revenues, in part because of government stimulus monies, revenue growth has slowed to a more normal pace. For the 12 months ending October 2024, the 43 reporting states had collection growth up 3.2% year over year.
- We do expect some further revenue decreases given that 25 out of 41 states with an individual income tax have levied a rate cut since 2021.
- In fiscal year 2023, total state spending was 40% higher than the fiscal year 2019 pre-pandemic year. This is historically high but includes large fiscal stimulus spending which most states used for one-time expenses. States are expected to cut their budgets in the next fiscal year by 6%

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

- Unfunded pension liabilities remain large, nevertheless, adjusted net pension liabilities have declined recently as higher interest rates push total liabilities down, coupled with many states over-contributing to their plans in 2023 (although this is starting from a weak base).
- Medicaid costs remain substantial, with total Medicaid spending averaging 34% of state budgets.
- Out-migration/demographics from some states has not yet had a major impact, but the trend is concerning for future revenues.
- Climate change continues to remain a challenge to 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 three times larger than debt burdens.



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

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:

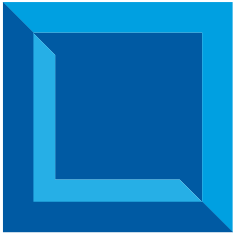
- Financial performance
- Economy and wealth
- Budgetary outlook and flexibility

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 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 the amount of 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 revenues from taxes.

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

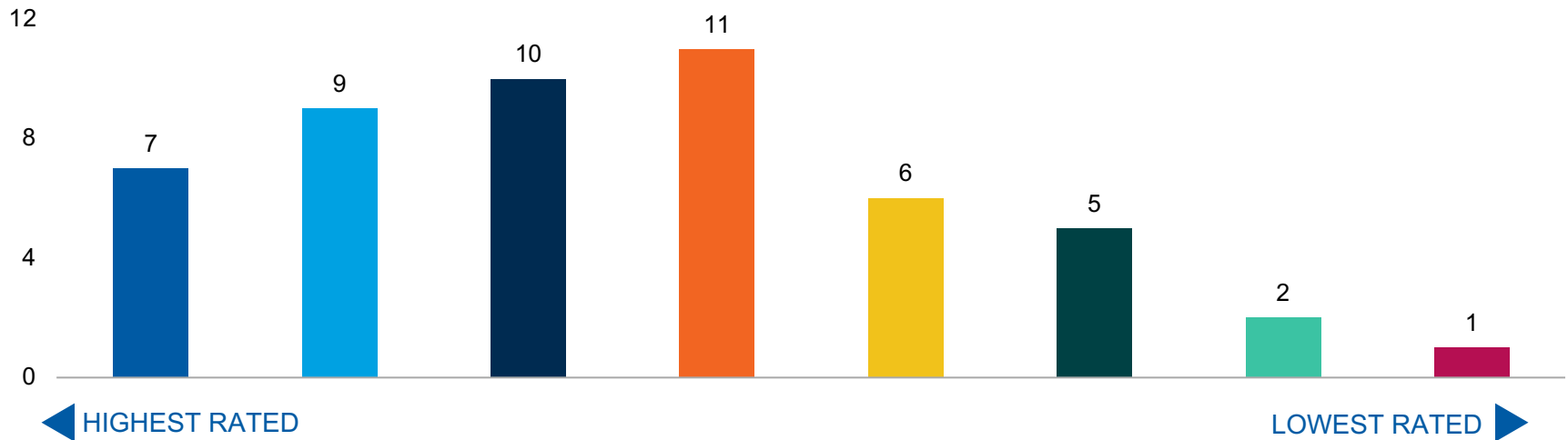
A growing economy increases incomes, raises governmental revenues, and helps keep unemployment low.

POPULATION GROWTH

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

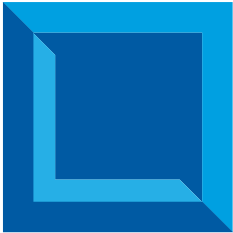
Important Notes About Our Rankings

- Rankings are on a **1-51 scale**, with 1 as most positive and 51 as most negative.
- Although we don't provide Eaton Vance's proprietary ratings score 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.

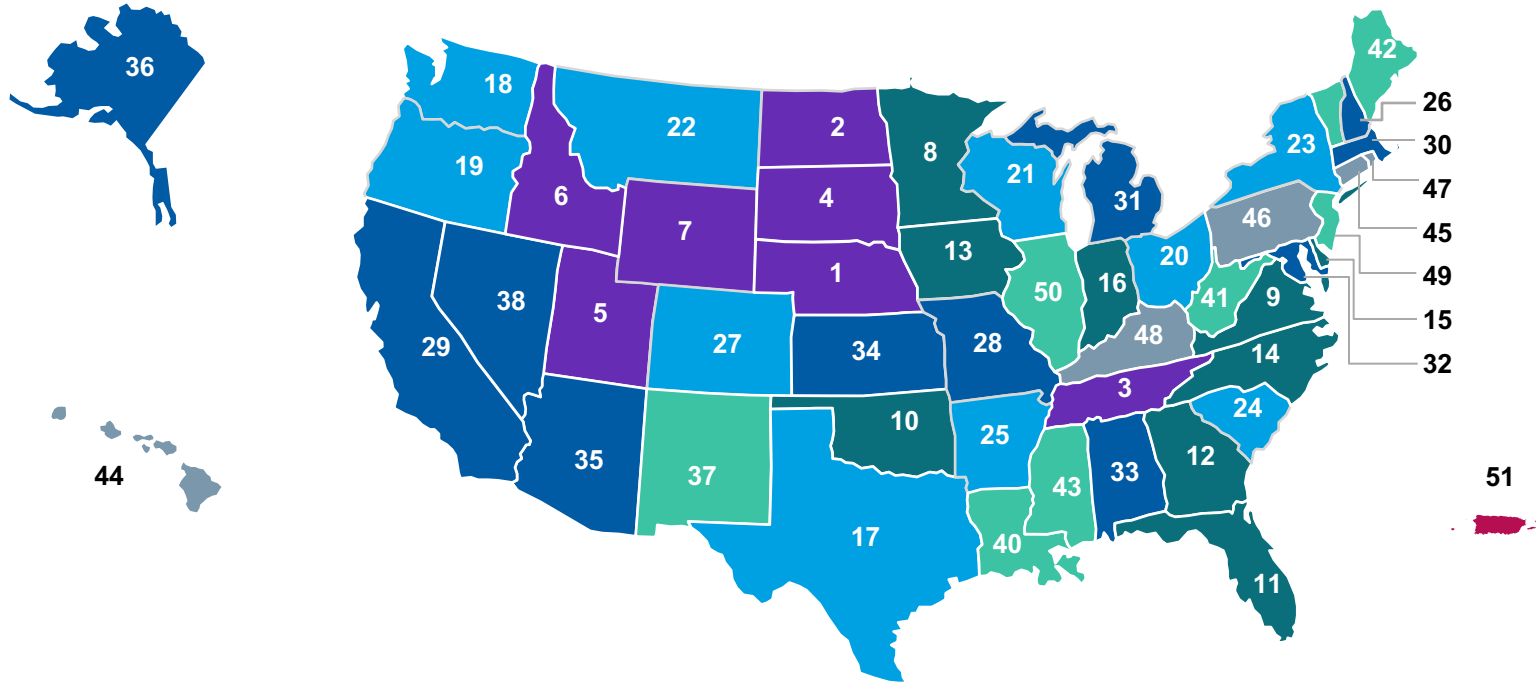


- States in the same color-coded group should be considered **similar in credit quality**.

Ranking Results



Summary Rankings



TOP 10

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

BOTTOM 10

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

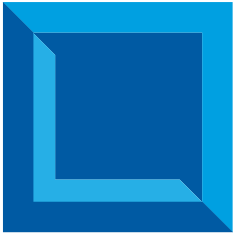
Detailed Rankings

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	NEBRASKA	1.4%	(1)	190.5%	(10)	68.2%	(9)	56.3%	(11)	298	(6)	2.5%	(4)	\$ 78,385	(15)
2	NORTH DAKOTA	3.1%	(12)	35.2%	(51)	51.9%	(32)	322.5%	(1)	1154	(3)	2.1%	(2)	\$ 76,483	(17)
3	TENNESSEE	1.6%	(3)	307.3%	(3)	72.1%	(7)	41.8%	(21)	222	(12)	3.2%	(19)	\$ 71,547	(27)
4	SOUTH DAKOTA	1.9%	(6)	128.2%	(27)	76.5%	(4)	63.2%	(7)	271	(8)	2.0%	(1)	\$ 74,048	(24)
5	UTAH	1.9%	(5)	258.3%	(4)	74.2%	(5)	35.1%	(31)	292	(7)	3.0%	(15)	\$ 84,798	(3)
6	IDAHO	2.9%	(10)	94.4%	(46)	66.2%	(12)	69.1%	(3)	226	(10)	3.4%	(22)	\$ 70,425	(29)
7	WYOMING	3.3%	(14)	110.2%	(35)	62.8%	(17)	115.1%	(2)	2179	(2)	2.9%	(9)	\$ 78,971	(13)
8	MINNESOTA	4.1%	(18)	92.5%	(47)	62.7%	(18)	58.7%	(9)	212	(13)	3.0%	(14)	\$ 87,100	(1)
9	VIRGINIA	3.9%	(17)	145.2%	(23)	63.2%	(16)	44.1%	(18)	174	(23)	2.9%	(8)	\$ 84,544	(4)
10	OKLAHOMA	1.9%	(7)	164.8%	(17)	68.4%	(8)	42.8%	(19)	254	(9)	3.5%	(25)	\$ 71,603	(26)
11	FLORIDA	2.4%	(8)	105.1%	(38)	61.4%	(19)	57.2%	(10)	170	(24)	3.2%	(19)	\$ 65,939	(36)
12	GEORGIA	3.1%	(11)	145.3%	(22)	55.2%	(26)	36.4%	(29)	200	(14)	3.3%	(21)	\$ 81,270	(7)
13	IOWA	1.5%	(2)	117.6%	(29)	72.7%	(6)	32.6%	(33)	149	(30)	2.9%	(11)	\$ 79,293	(12)
14	NORTH CAROLINA	2.7%	(9)	166.6%	(16)	66.2%	(11)	33.6%	(32)	152	(27)	3.7%	(29)	\$ 69,669	(30)
15	DELAWARE	18.6%	(45)	170.8%	(14)	65.2%	(13)	60.9%	(8)	225	(11)	4.1%	(40)	\$ 76,347	(19)
16	INDIANA	3.3%	(13)	607.4%	(1)	42.9%	(46)	41.9%	(20)	74	(51)	3.8%	(31)	\$ 75,560	(20)
17	TEXAS	6.5%	(26)	85.0%	(48)	53.8%	(29)	38.7%	(25)	175	(22)	4.0%	(35)	\$ 80,347	(9)
18	WASHINGTON	5.4%	(25)	585.6%	(2)	79.1%	(2)	18.5%	(44)	142	(32)	4.7%	(46)	\$ 79,302	(11)
19	OREGON	7.6%	(29)	100.8%	(42)	64.3%	(15)	67.6%	(5)	192	(18)	4.0%	(36)	\$ 63,542	(39)
20	OHIO	3.6%	(15)	197.5%	(7)	60.8%	(20)	41.7%	(22)	140	(33)	4.0%	(36)	\$ 72,815	(25)
21	WISCONSIN	3.7%	(16)	214.3%	(5)	81.0%	(1)	17.3%	(45)	122	(40)	3.1%	(17)	\$ 76,432	(18)
22	MONTANA	8.7%	(32)	102.0%	(41)	53.1%	(30)	64.2%	(6)	372	(5)	3.2%	(18)	\$ 63,302	(41)
23	NEW YORK	7.0%	(28)	106.3%	(37)	76.9%	(3)	46.2%	(16)	127	(37)	4.4%	(43)	\$ 59,493	(48)
24	SOUTH CAROLINA	9.8%	(35)	125.5%	(28)	43.0%	(45)	68.7%	(4)	186	(19)	3.5%	(26)	\$ 67,540	(35)
25	ARKANSAS	4.7%	(23)	107.2%	(36)	57.8%	(22)	37.8%	(27)	185	(20)	3.5%	(24)	\$ 62,664	(44)
26	NEW HAMPSHIRE	4.1%	(19)	141.0%	(25)	50.6%	(34)	29.0%	(37)	140	(34)	2.6%	(5)	\$ 80,252	(10)

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	COLORADO	4.9%	(24)	174.3%	(12)	49.5%	(36)	12.5%	(49)	152	(28)	3.7%	(30)	\$ 83,347	(5)
28	MISSOURI	4.3%	(20)	171.6%	(13)	43.7%	(44)	32.4%	(34)	165	(25)	3.6%	(27)	\$ 74,402	(23)
29	CALIFORNIA	9.8%	(34)	161.6%	(18)	56.1%	(25)	37.2%	(28)	149	(29)	5.3%	(49)	\$ 65,740	(37)
30	MASSACHUSETTS	18.6%	(44)	112.3%	(34)	47.4%	(39)	25.8%	(39)	83	(49)	3.6%	(28)	\$ 65,250	(38)
31	MICHIGAN	6.7%	(27)	168.5%	(15)	57.5%	(23)	25.8%	(40)	116	(41)	4.2%	(41)	\$ 74,787	(21)
32	MARYLAND	13.8%	(42)	113.4%	(32)	57.4%	(24)	24.0%	(41)	79	(50)	2.7%	(6)	\$ 78,706	(14)
33	ALABAMA	4.6%	(22)	78.0%	(49)	44.0%	(43)	56.0%	(12)	198	(15)	2.9%	(7)	\$ 68,125	(32)
34	KANSAS	8.6%	(31)	156.4%	(20)	52.2%	(31)	38.6%	(26)	124	(38)	3.0%	(12)	\$ 80,726	(8)
35	ARIZONA	1.9%	(4)	192.7%	(9)	59.4%	(21)	15.4%	(46)	104	(44)	3.8%	(31)	\$ 67,896	(34)
36	ALASKA	12.2%	(40)	116.3%	(30)	54.1%	(28)	53.1%	(13)	2445	(1)	4.5%	(44)	\$ 68,169	(31)
37	NEW MEXICO	9.8%	(36)	75.6%	(50)	50.5%	(35)	48.9%	(14)	858	(4)	4.0%	(34)	\$ 62,737	(43)
38	NEVADA	4.6%	(21)	113.4%	(32)	55.1%	(27)	13.0%	(48)	135	(35)	5.3%	(50)	\$ 67,975	(33)
39	VERMONT	18.4%	(43)	115.1%	(31)	44.5%	(42)	46.9%	(15)	124	(39)	2.2%	(3)	\$ 63,422	(40)
40	LOUISIANA	8.3%	(30)	212.5%	(6)	51.0%	(33)	29.7%	(35)	193	(16)	4.0%	(36)	\$ 62,341	(47)
41	WEST VIRGINIA	12.5%	(41)	196.3%	(8)	64.3%	(14)	29.2%	(36)	163	(26)	4.3%	(42)	\$ 62,392	(46)
42	MAINE	11.7%	(39)	176.6%	(11)	67.6%	(10)	23.6%	(42)	112	(43)	3.0%	(15)	\$ 58,384	(49)
43	MISSISSIPPI	9.0%	(33)	99.0%	(44)	45.8%	(40)	40.4%	(23)	185	(21)	2.9%	(10)	\$ 62,409	(45)
44	HAWAII	25.5%	(47)	100.7%	(43)	45.8%	(41)	44.3%	(17)	192	(17)	3.0%	(13)	\$ 49,928	(50)
45	CONNECTICUT	33.0%	(50)	148.0%	(21)	37.6%	(47)	14.6%	(47)	98	(45)	4.0%	(33)	\$ 77,303	(16)
46	PENNSYLVANIA	11.0%	(37)	144.2%	(24)	48.6%	(37)	19.1%	(43)	97	(46)	3.4%	(23)	\$ 74,740	(22)
47	RHODE ISLAND	11.4%	(38)	140.1%	(26)	48.2%	(38)	11.8%	(50)	112	(42)	4.1%	(39)	\$ 71,503	(28)
48	KENTUCKY	19.1%	(46)	102.4%	(40)	37.6%	(48)	35.5%	(30)	95	(47)	4.6%	(45)	\$ 63,217	(42)
49	NEW JERSEY	29.4%	(49)	105.1%	(38)	23.0%	(50)	39.4%	(24)	147	(31)	4.8%	(47)	\$ 81,894	(6)
50	ILLINOIS	28.4%	(48)	95.6%	(45)	33.1%	(49)	2.0%	(51)	95	(48)	5.0%	(48)	\$ 85,813	(2)
51	PUERTO RICO	58.7%	(51)	159.9%	(19)	0.0%	(51)	27.4%	(38)	130	(36)	5.7%	(51)	\$ 24,492	(51)

Key Findings



A Guide To Reviewing the State of the States

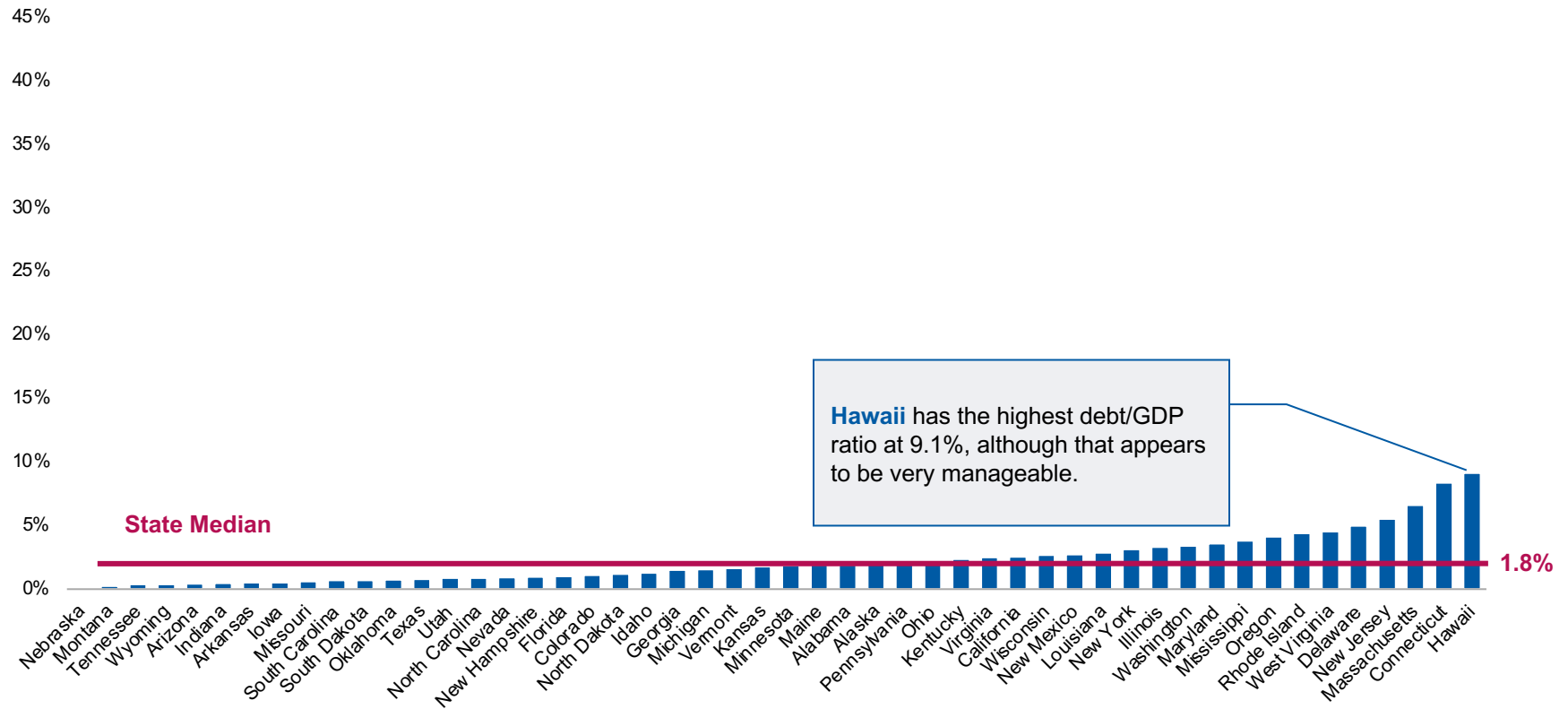
The following charts help compare states based on the credit quality factors that are incorporated in Eaton Vance's ratings methodology.

- 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**?

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

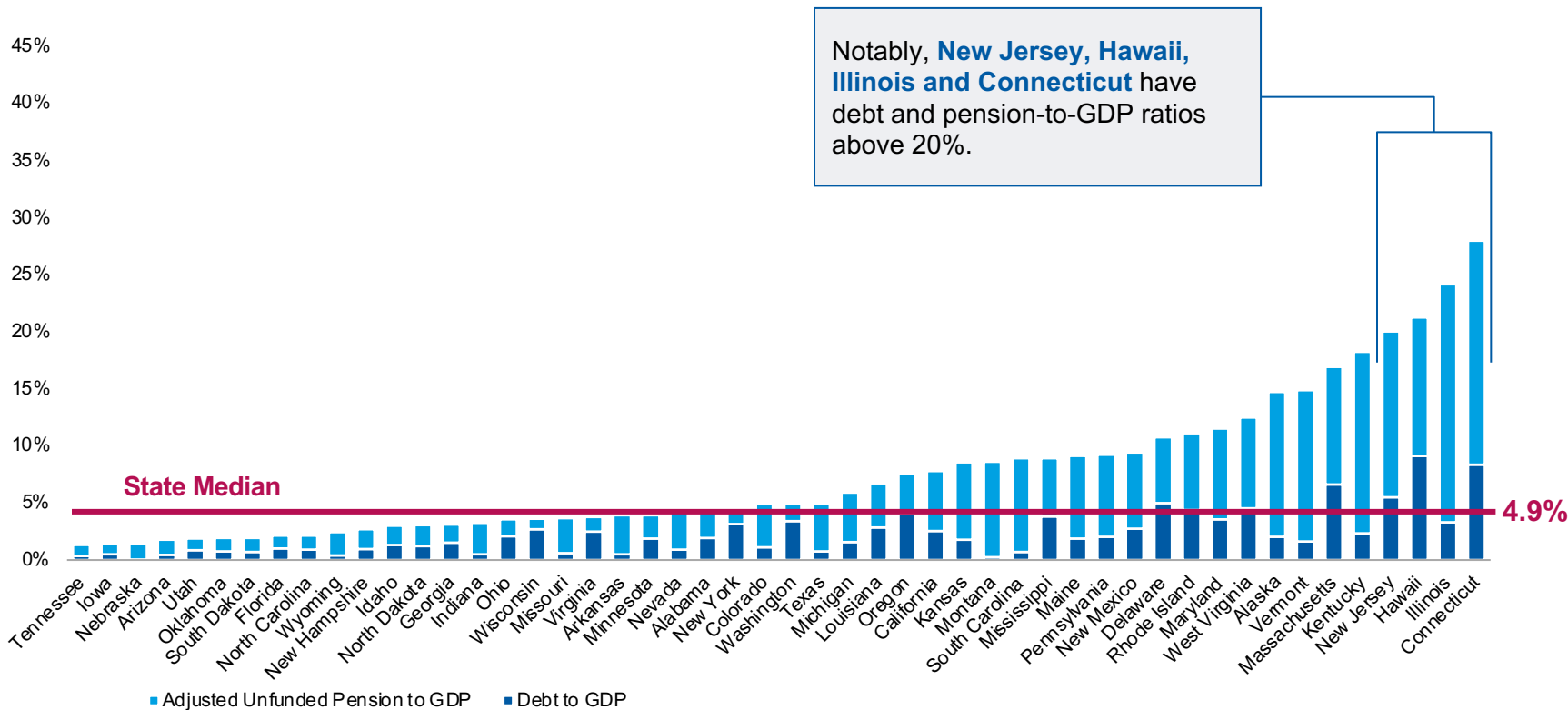


Source: Debt is net tax supported debt ("NTSD") from Moody's "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024.

How Heavy Are Debt and Unfunded Pension Burdens?

Due to GDP growth, robust investment returns, and pension reform's the median declined significantly from 8.3% in 2011 to 4.9% in 2023.

State Debt and Unfunded Pensions % of GDP

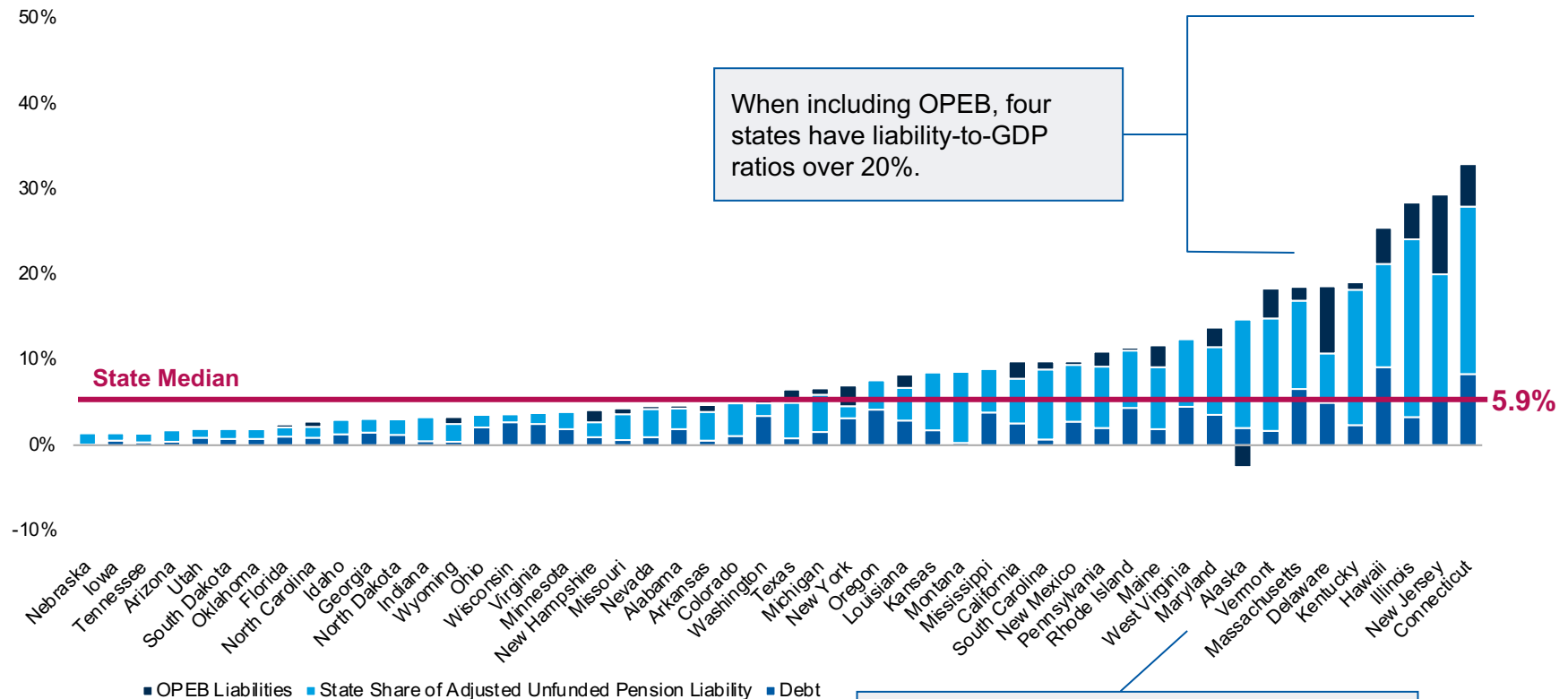


Source: Debt is net tax supported debt ("NTSD") per Moody's. NTSD, unfunded pension liabilities, states' share of estimated pension liabilities, and states' pension plan discount rates Moody's "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024. GDP from the Bureau of Economic Analysis 2023.

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

Most states maintain manageable burdens, and the state median declined from 11.5% in 2011 to 5.9% in 2023.

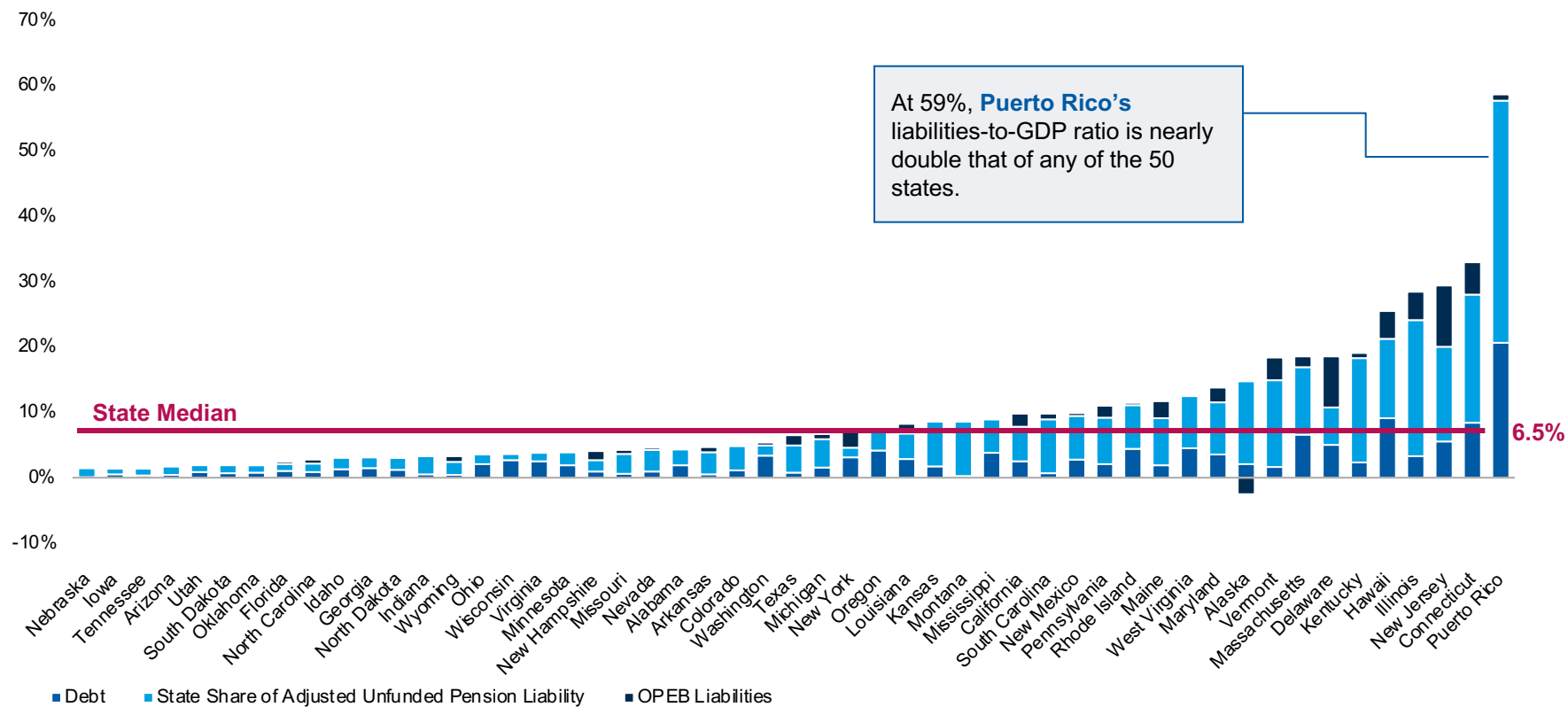
Debt, Pension and OPEB Liabilities as a % of Revenues



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 "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024. GDP from the Bureau of Economic Analysis 2023.

No Surprise: Puerto Rico Remains a Significant Outlier

Debt, Pension and OPEB Liabilities as a % of GDP

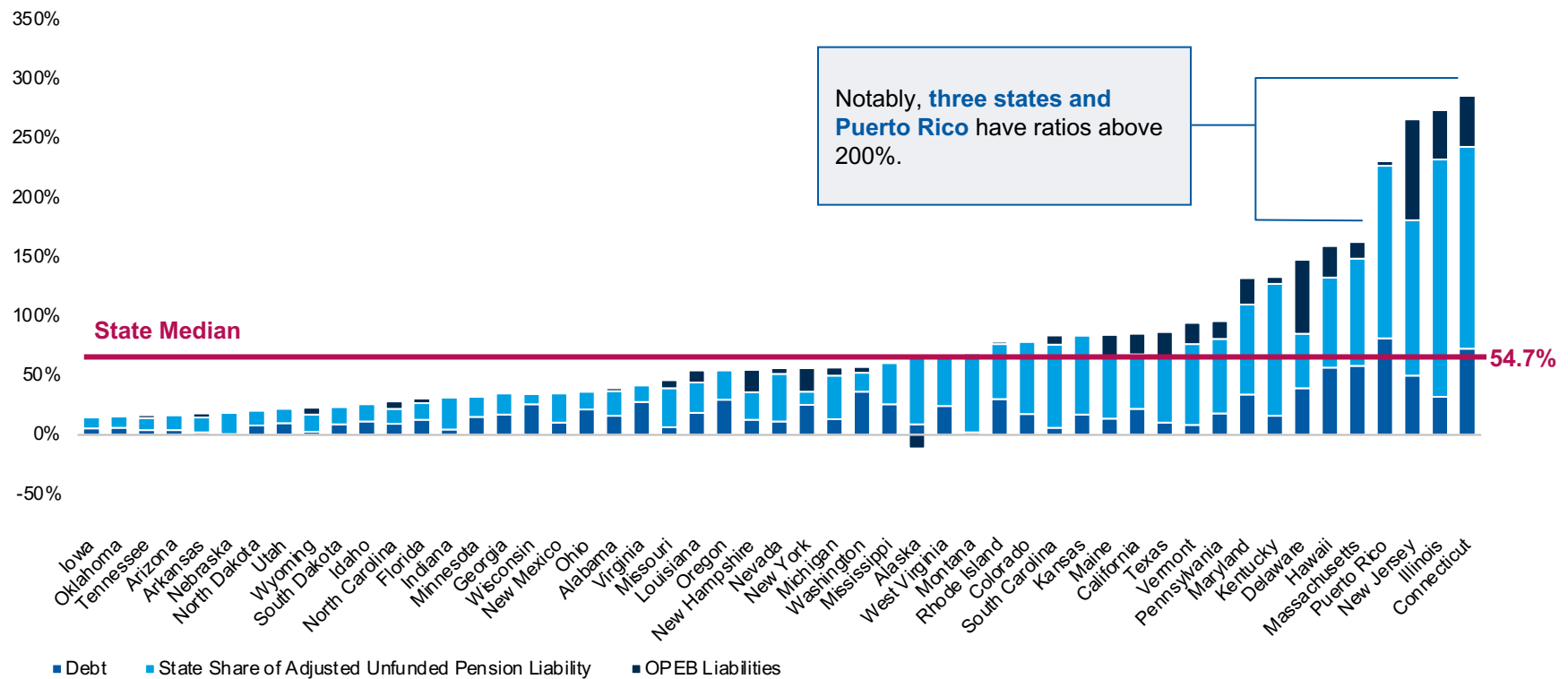


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How Do Debt, Pension and OPEB Loads Compare to Annual Revenues?

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

Debt, Pension and OPEB Liabilities as a % of Revenues

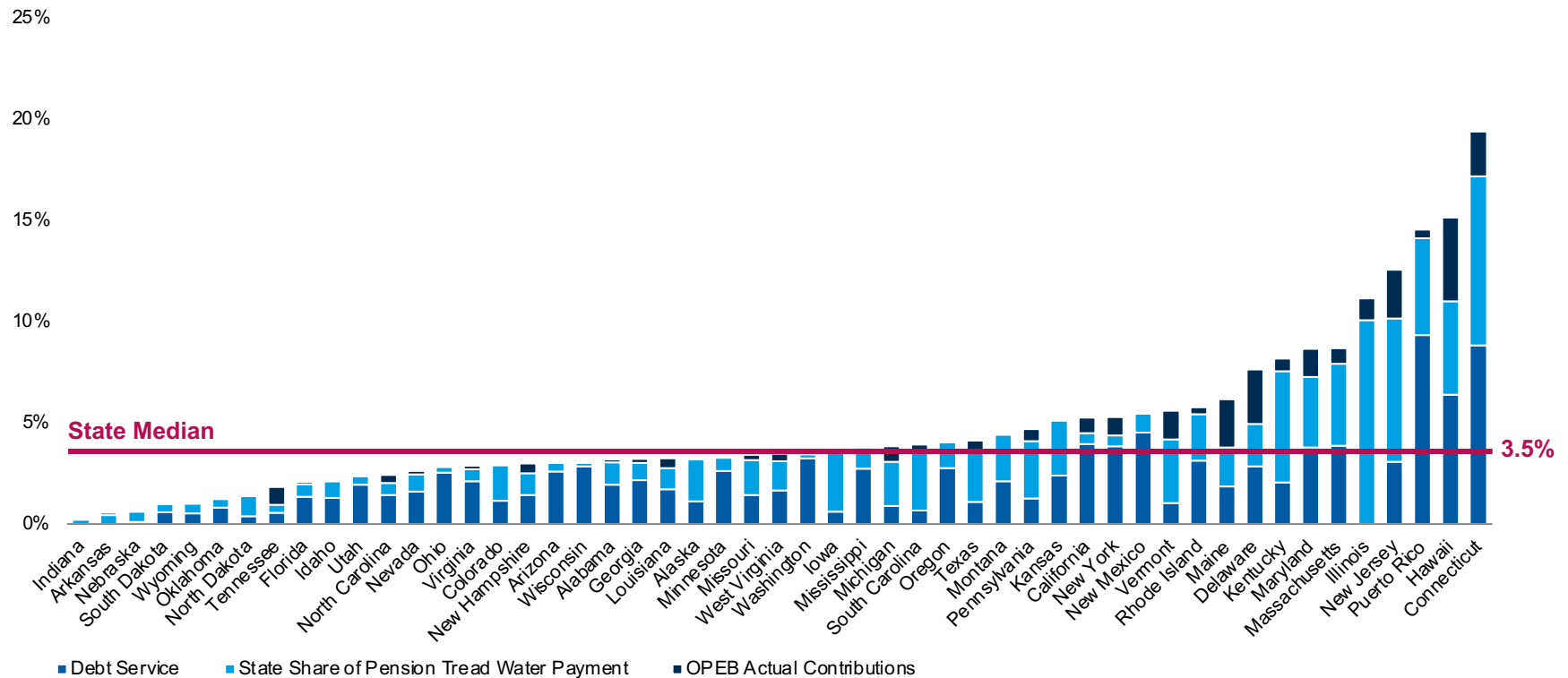


Source: Debt is net tax supported debt ("NTSD") per Moody's. NTSD, unfunded pension liabilities, states' share of estimated pension liabilities, and states' pension plan discount rates Moody's "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024. State revenues from most recently available State CAFR's. GDP from the Bureau of Economic Analysis 2023.

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

Most states are in good shape, but for some states, these expenses, if paid in full, could crowd out other spending initiatives.

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

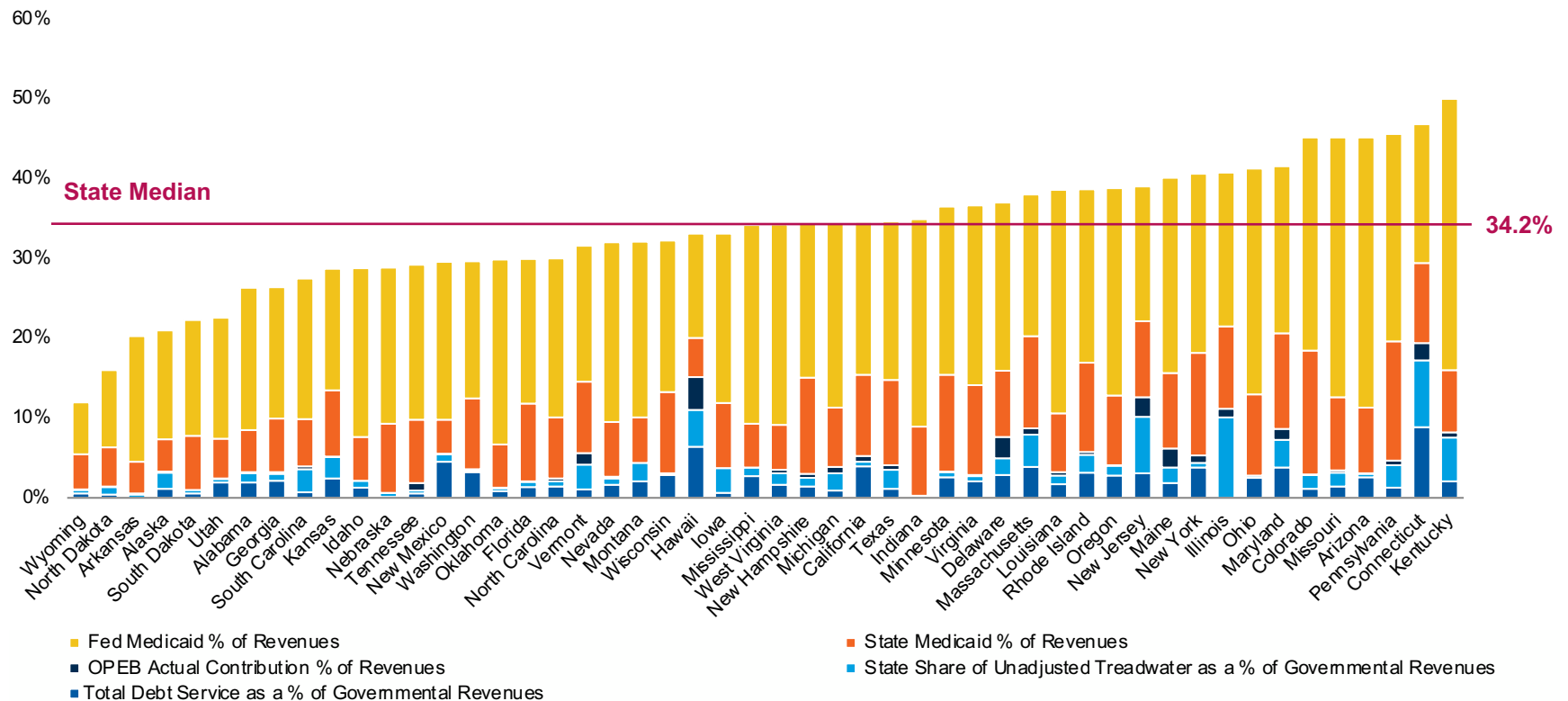


Source: Governmental Revenues from most recently available State CAFRs. Debt service, OPEB Contribution, and State Share of Pension Tread Water from Moody's "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024.

Medicaid Changes the Picture

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

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

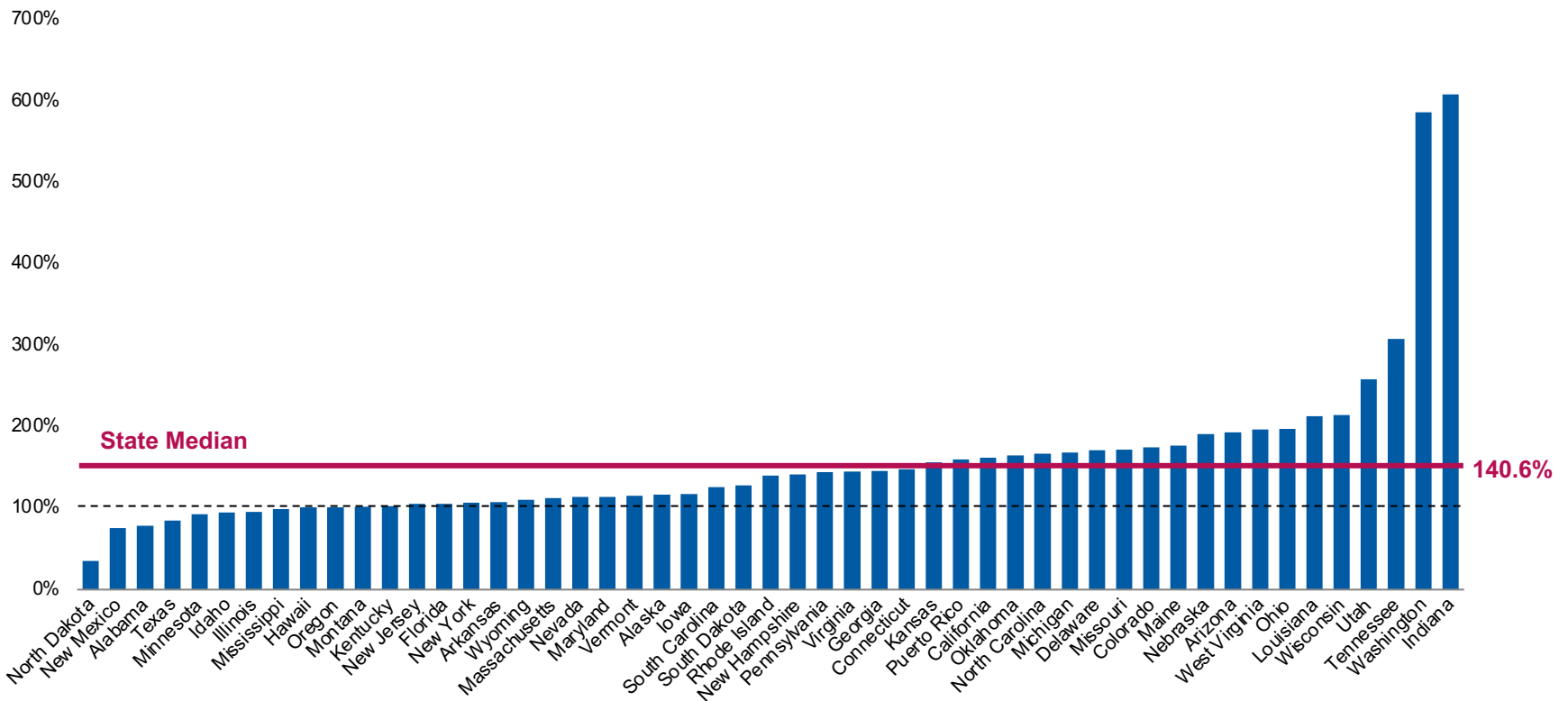


Source: Governmental Revenues from most recently available State CAFRs. Debt service, OPEB Contribution, and State Share of Pension Tread Water from Moody's "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024. Medicaid spending data from Medicaid and CHIP Payment and 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.

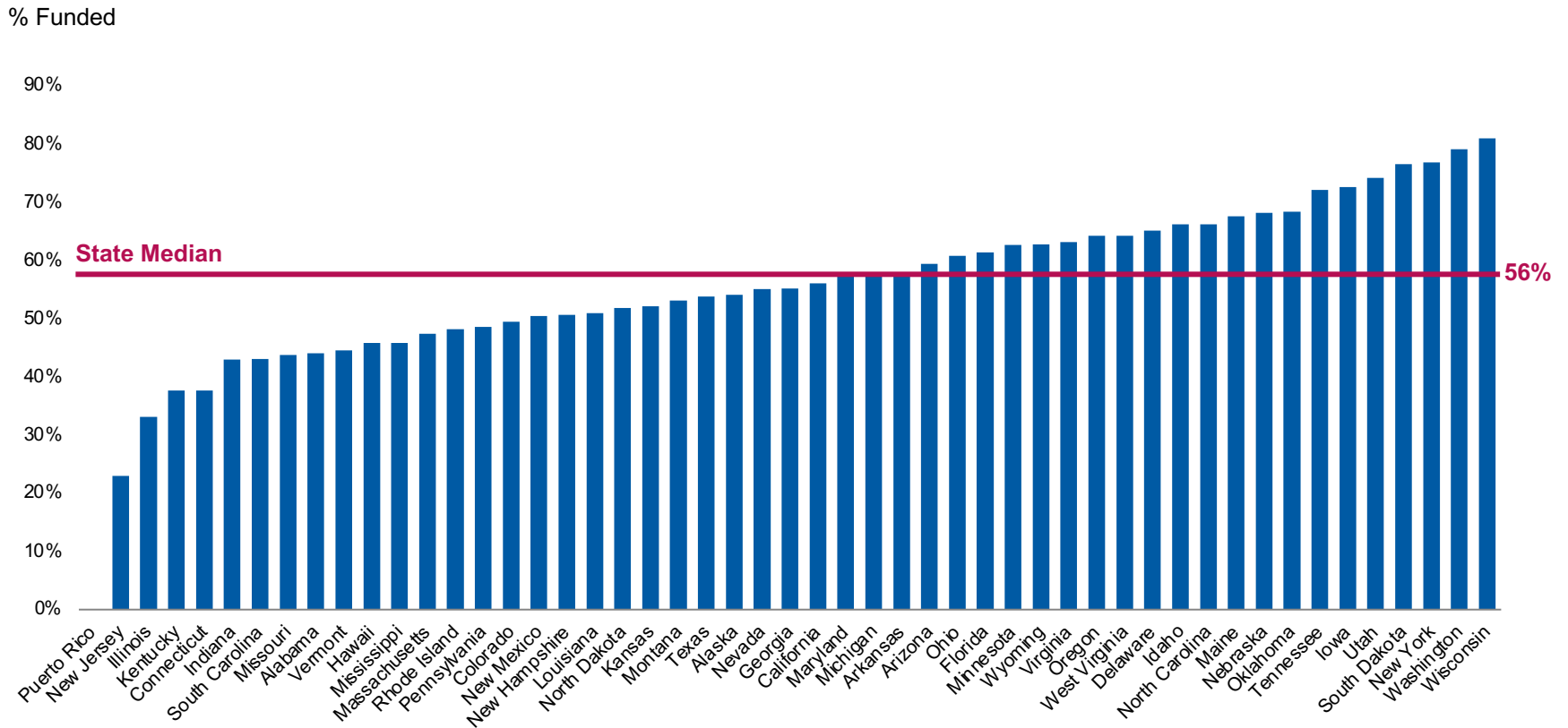
% of Tread Water Cost Contributed



Source: Tread water contributed percentage from Moody's "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024.

Which State Pensions Are the Most Underfunded?

States needing to invest more money into their pension plans to meet these eventual obligations have less flexibility for other spending.

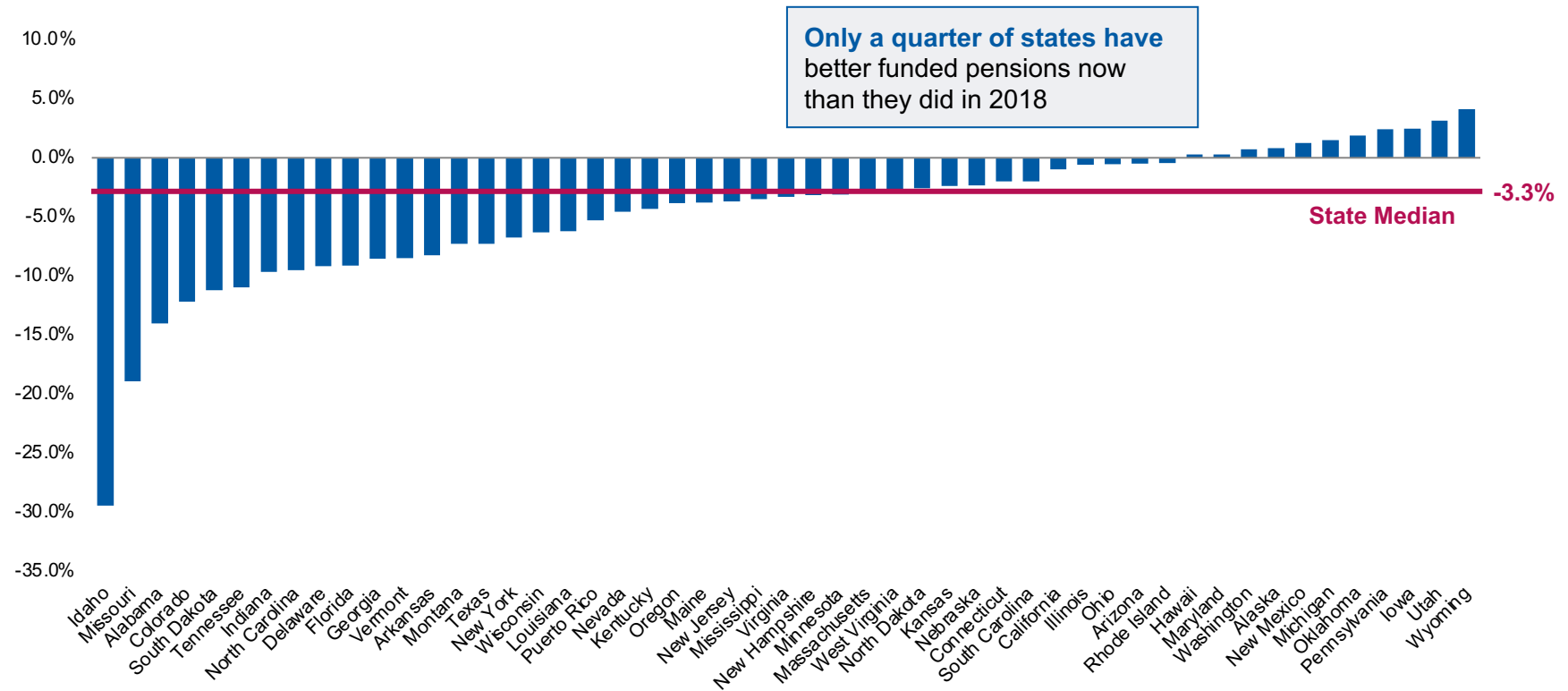


Source: State share of unfunded pension liabilities from Moody's "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024.

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 2018-2023

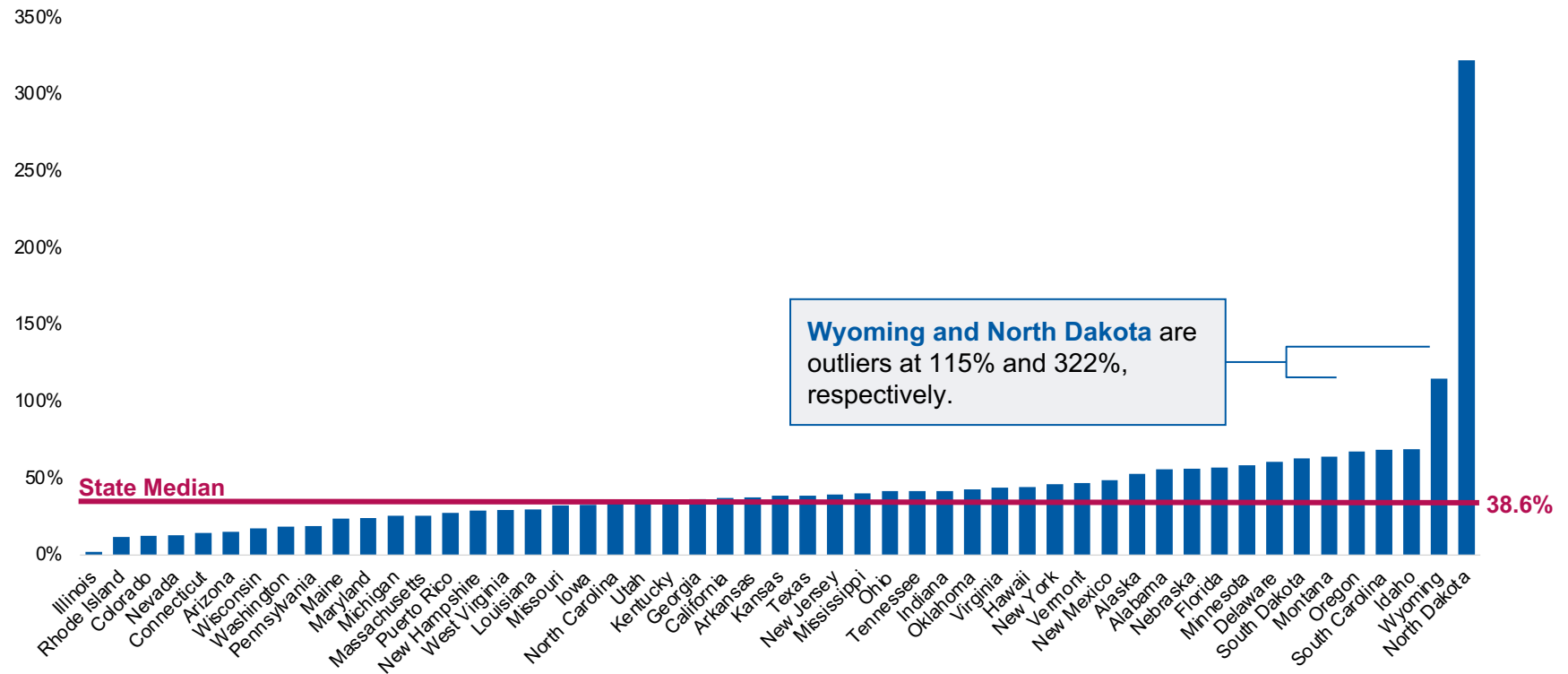


Source: State share of unfunded pension liabilities from Moody's "Revenue growth and lower ANPLs boost capacity to manage long-term debt" September 2024.

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

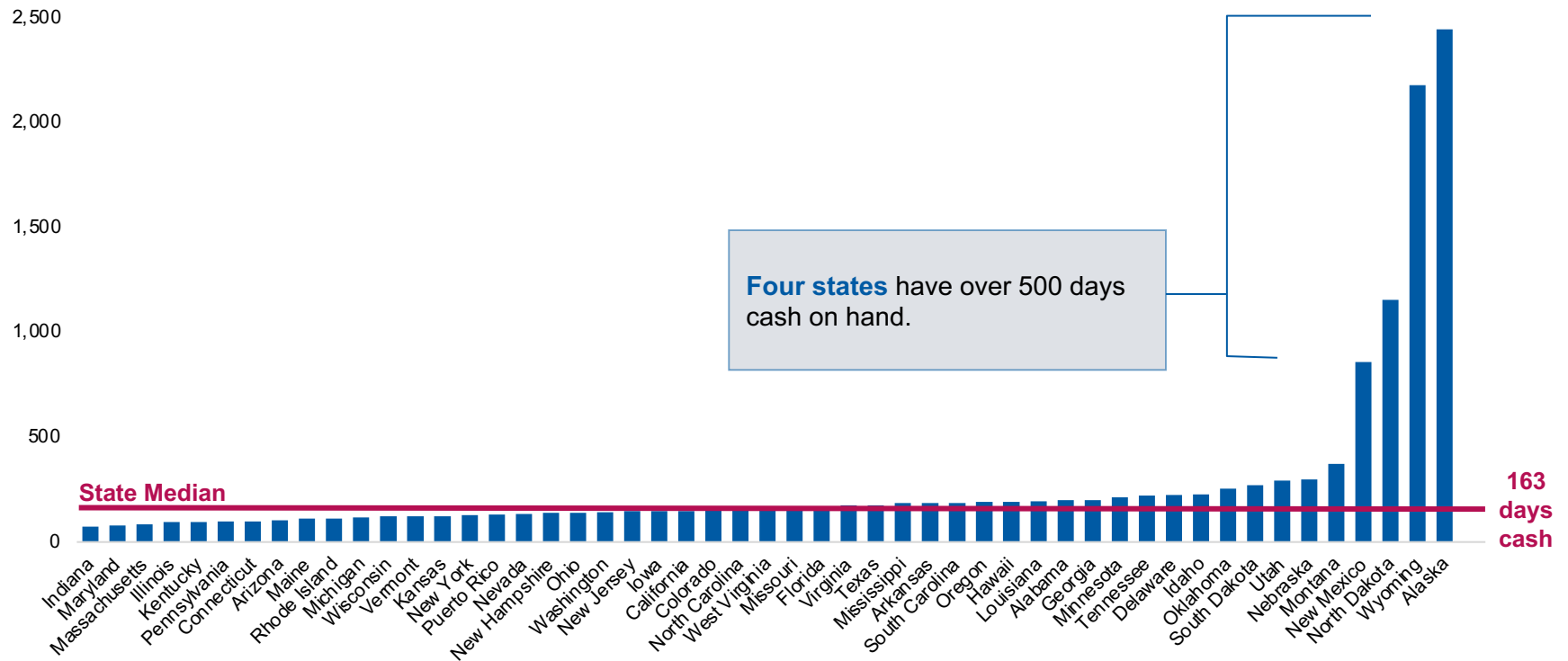


Source: General Fund Balances and Revenues from State CAFRs.

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 Cash on Hand

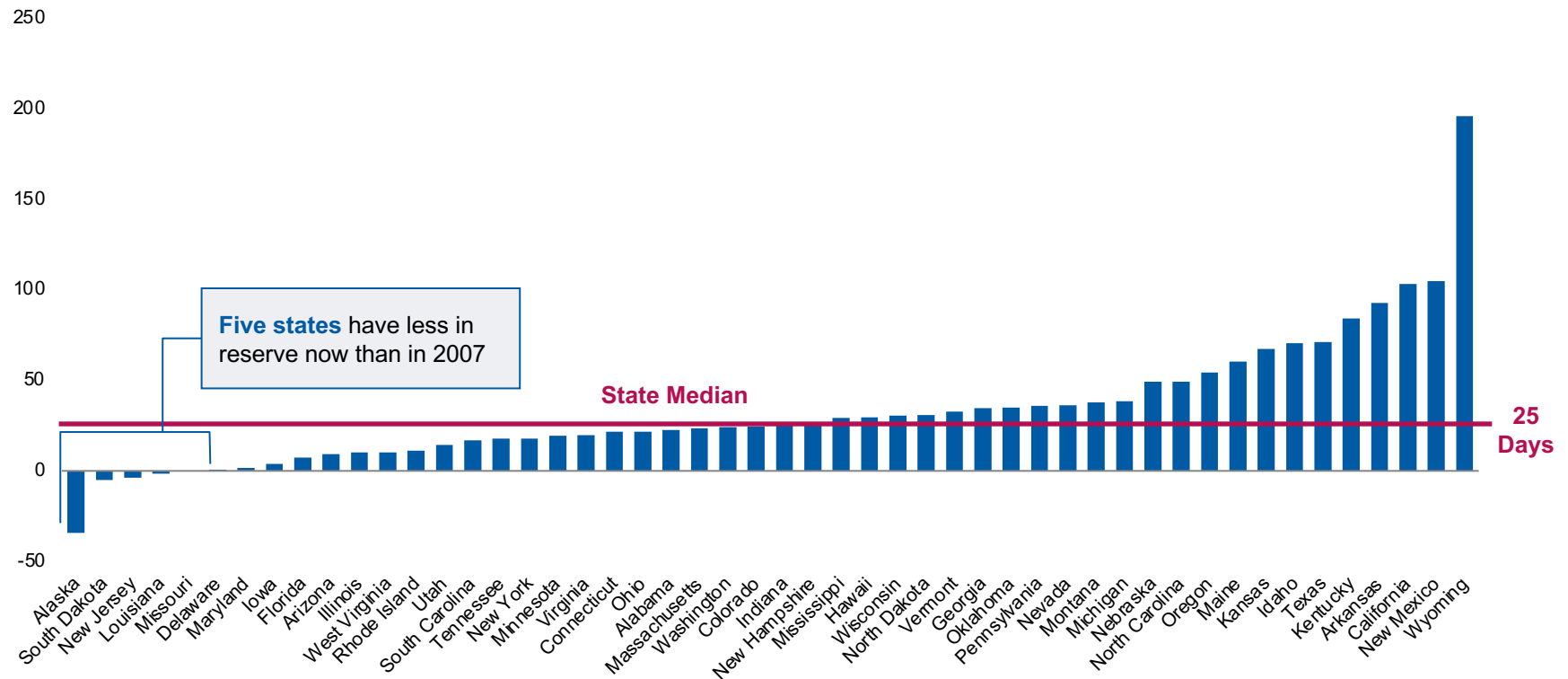


Source: Governmental Funds liquidity from State CAFRs. Days cash on hand is calculated as cash and investments available in the governmental funds divided by annual governmental fund expenditures, and then multiplied by 365.

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

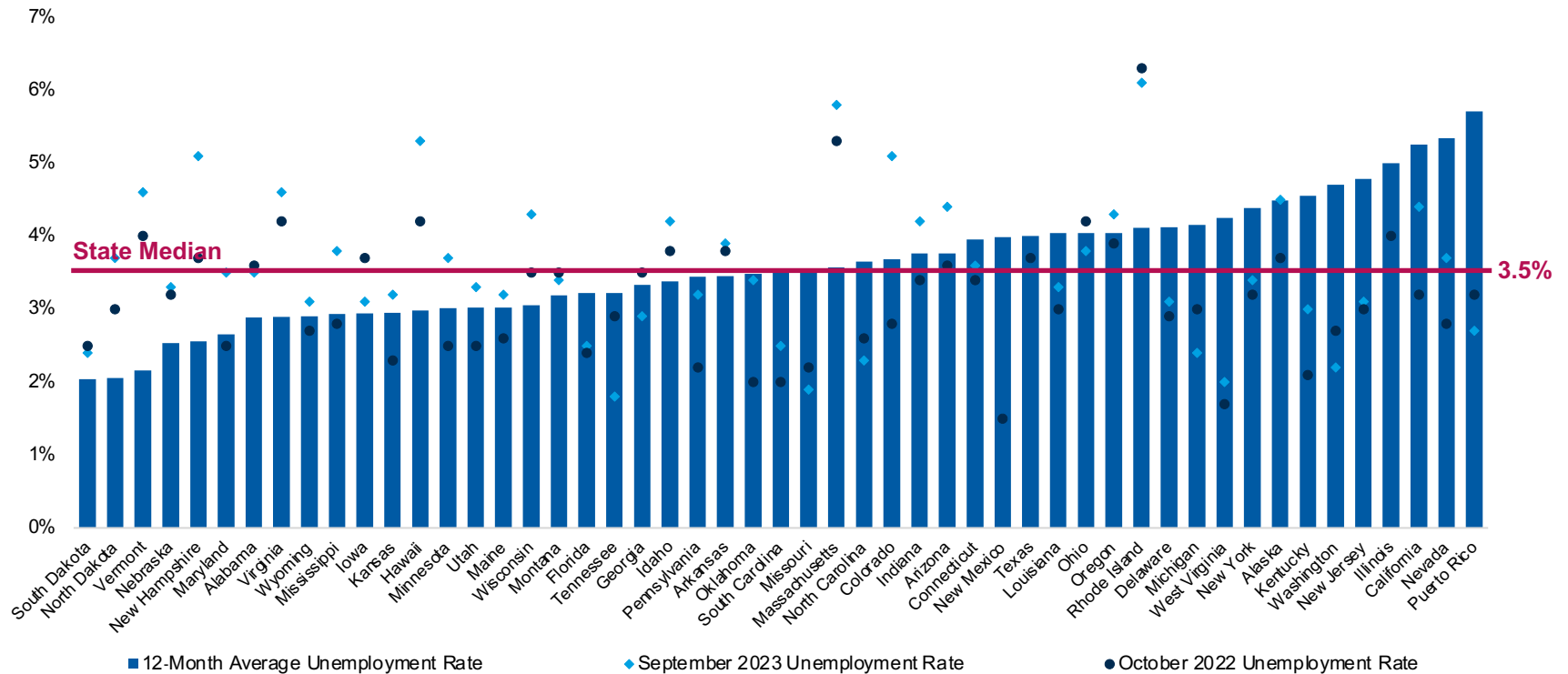


Source: Rainy day fund balances from Pew Research "Fiscal 50 – State Trends and Analysis" as of FY 2023. Balances in terms of days of general fund expenses in reserve.

Which States Are Battling High Unemployment?

The 12-month moving average unemployment rate is a general measure of the health of a state's economy and labor force. COVID-19 had a drastic effect on unemployment rates, but rates have improved significantly over the past two years, and current rates are better than the 12-month moving average for about half of states.

Unemployment Rate

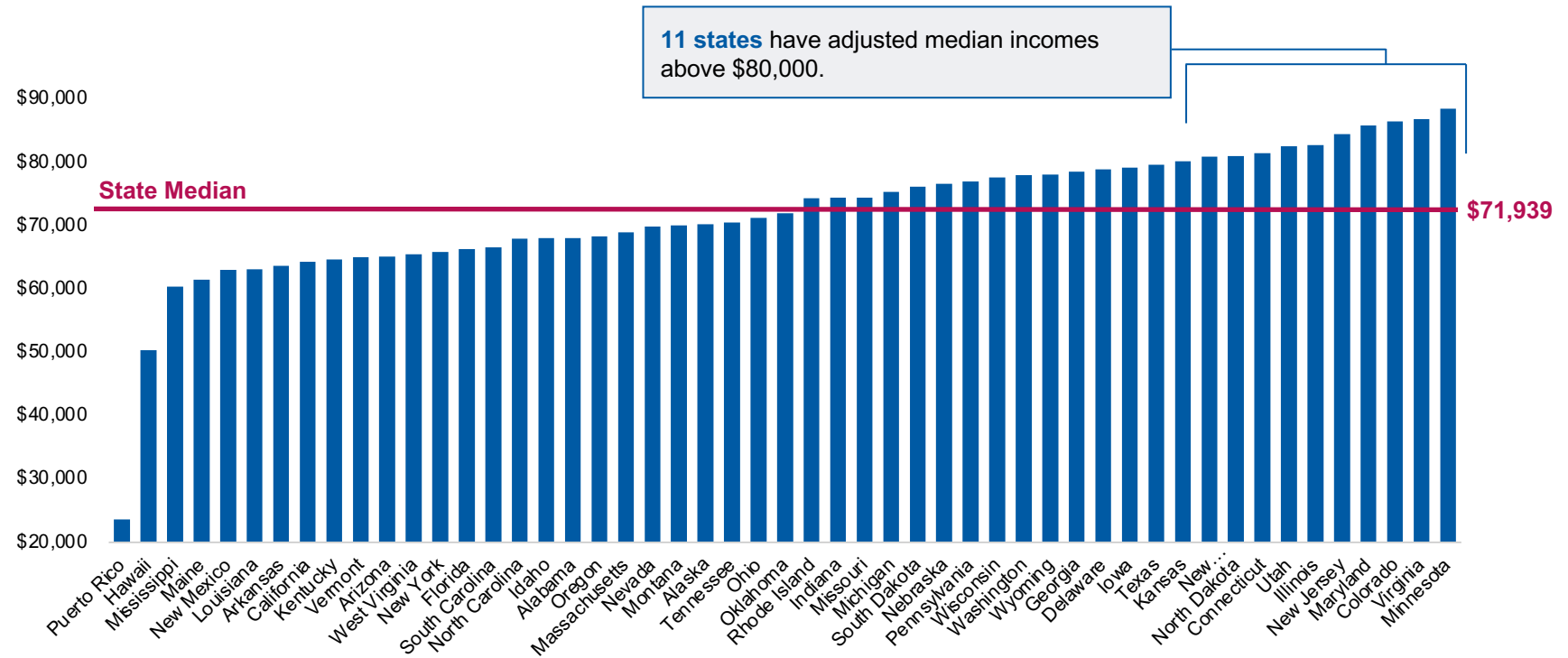


Source: Unemployment rates for the past 12 months from BLS, as of September 2024.

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

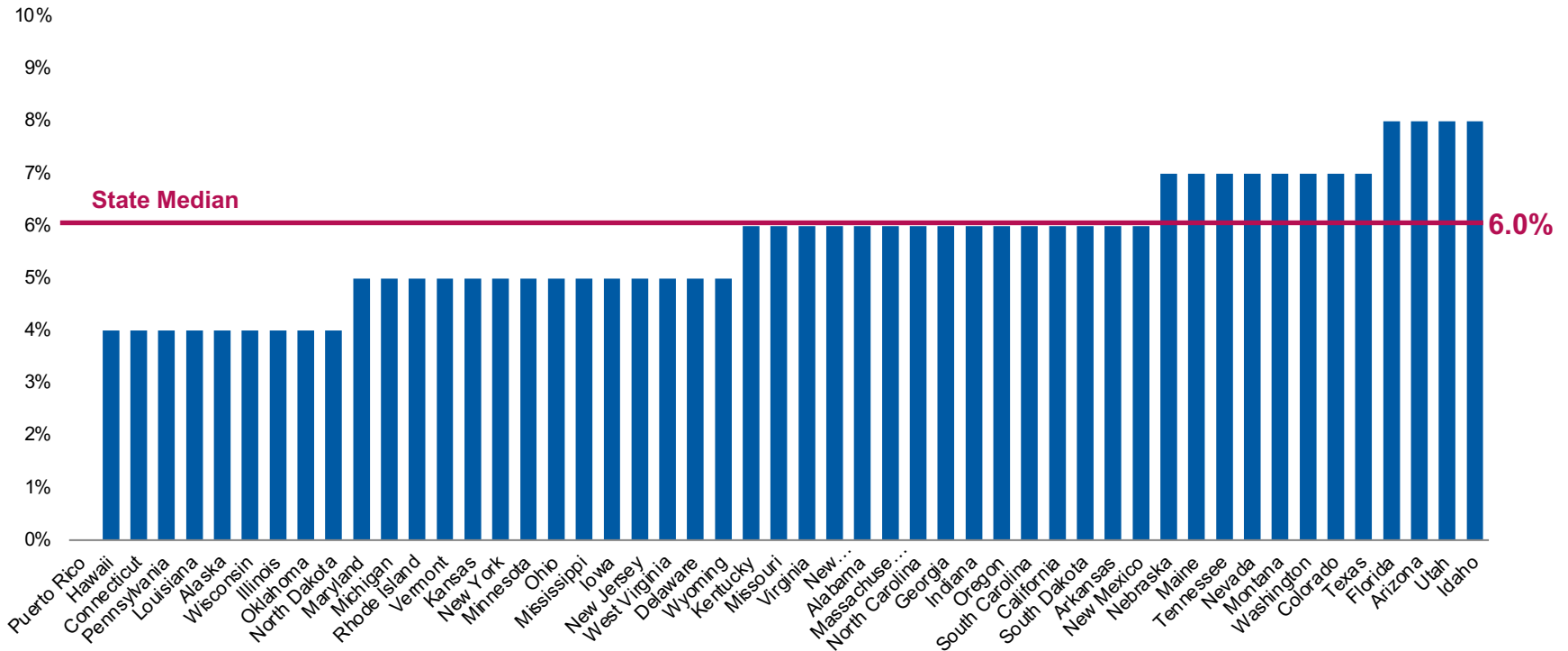


Source: Median Household Incomes from Census Bureau 2023 one-year estimates. Cost-of-living adjustment from the Missouri Economic Research and Information Center, 2024 Q2 data. To adjust for cost of living, we divide the median household by the cost-of-living index value, which is given as a % of the 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

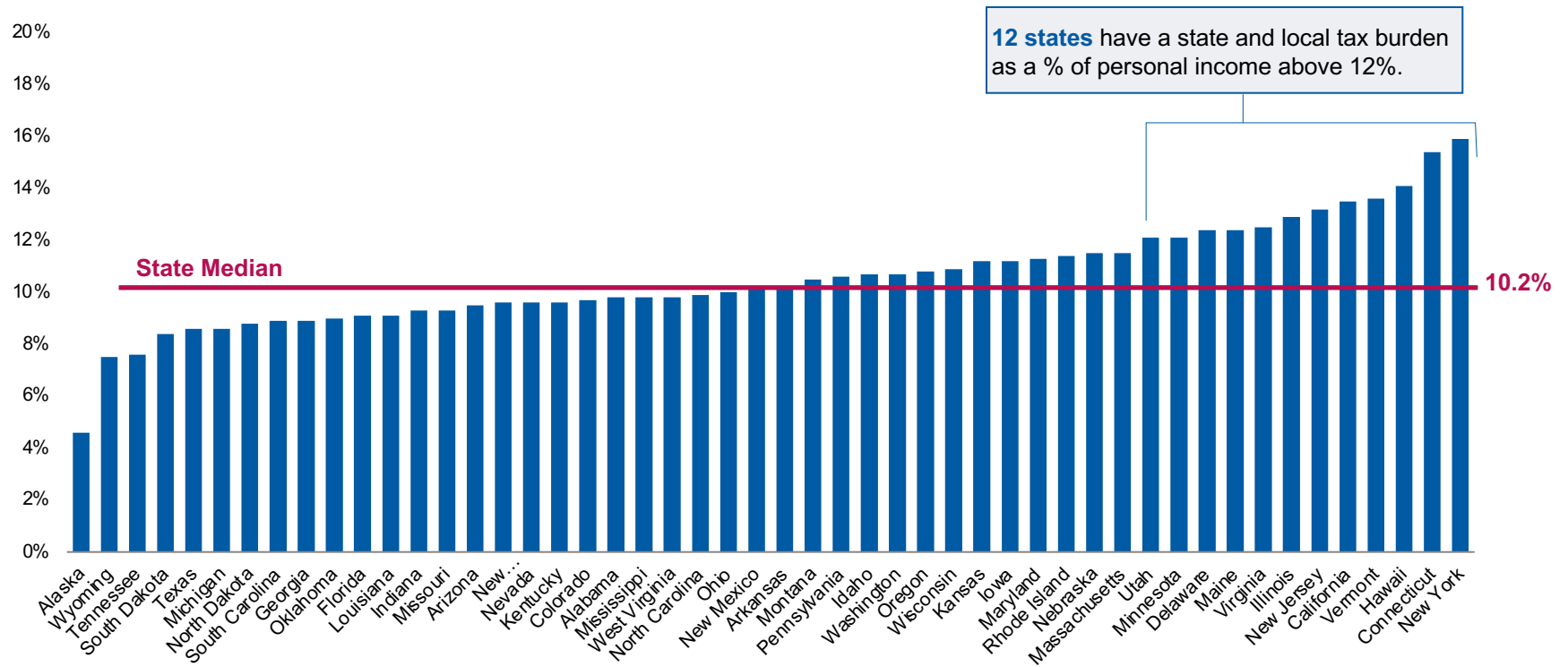


Source: Real GDP growth from 2018–2023 (annualized) from the Bureau of Economic Analysis 2023 GDP Estimates. Puerto Rico GDP as of 2021.

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 and Local Tax Burden as % of Personal Income

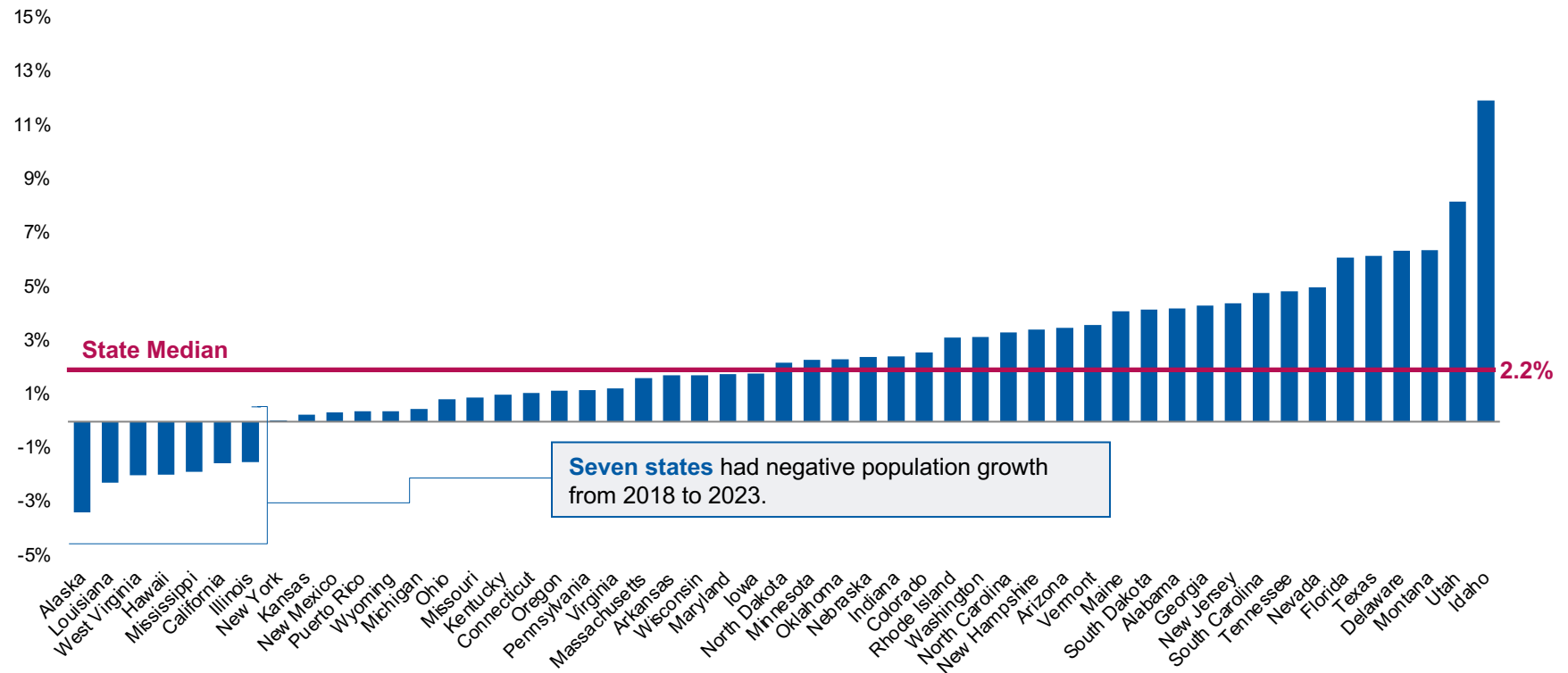


Source: Tax burdens as a percent of personal income from taxfoundation.org published 2022. Tax burden information was unavailable for Puerto Rico.

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

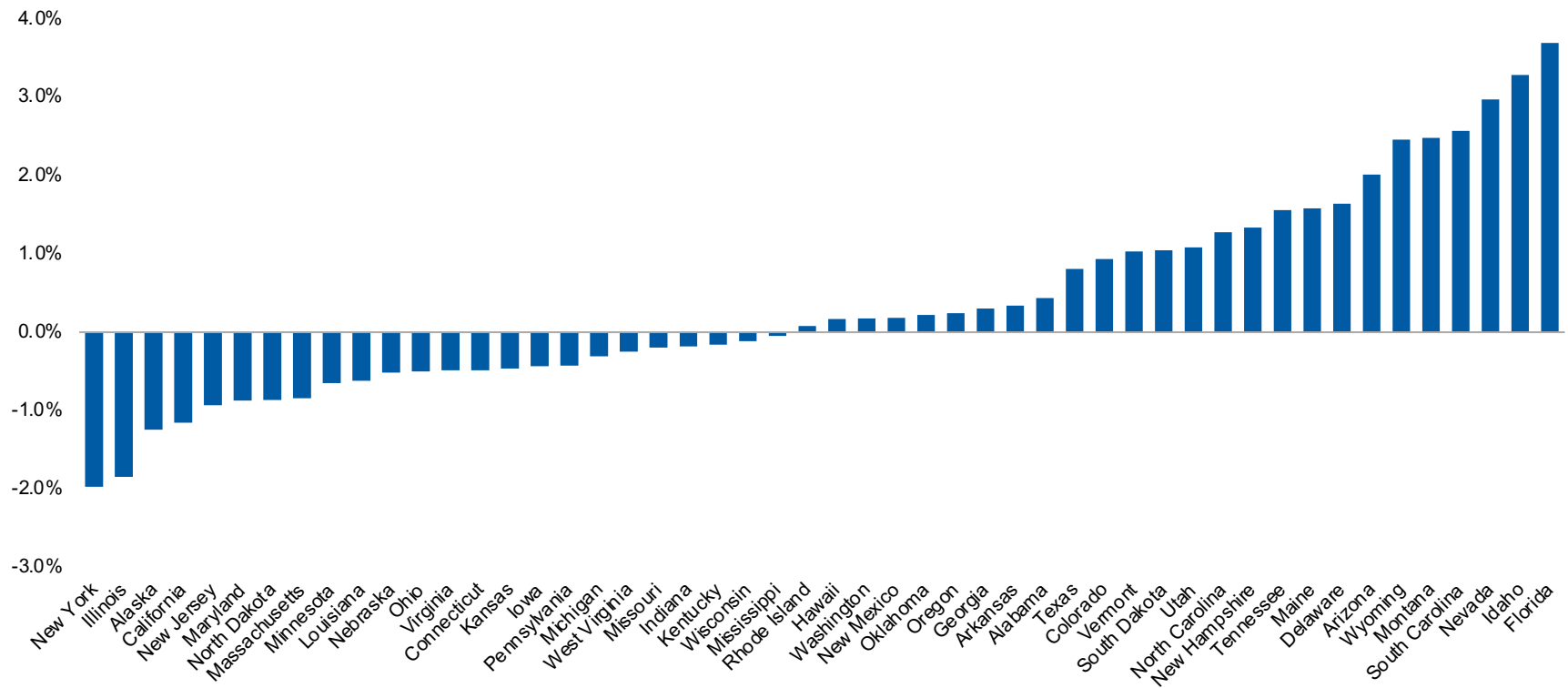


Source: Population growth from Census Bureau 2023 population estimates and 2018 population estimates.

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.

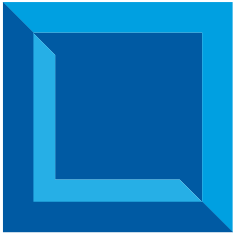
Conclusion

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.

Appendix



Appendix

Examining the lowest ranked states:

- Illinois
- New Jersey
- Kentucky
- Rhode Island

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



Illinois (No. 50)

Illinois governance and fiscal position improved, but large pension liabilities, limited budgetary flexibility, and projected out-year deficits continue to remain a credit challenge.



New Jersey (No. 49)

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



Kentucky (No. 48)

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



Rhode Island (No. 47)

Rhode Island has elevated debt with poor pension funding, an economy that continues to lag national growth trends in the face of population decline, and weak reserves levels.

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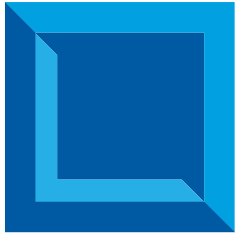
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