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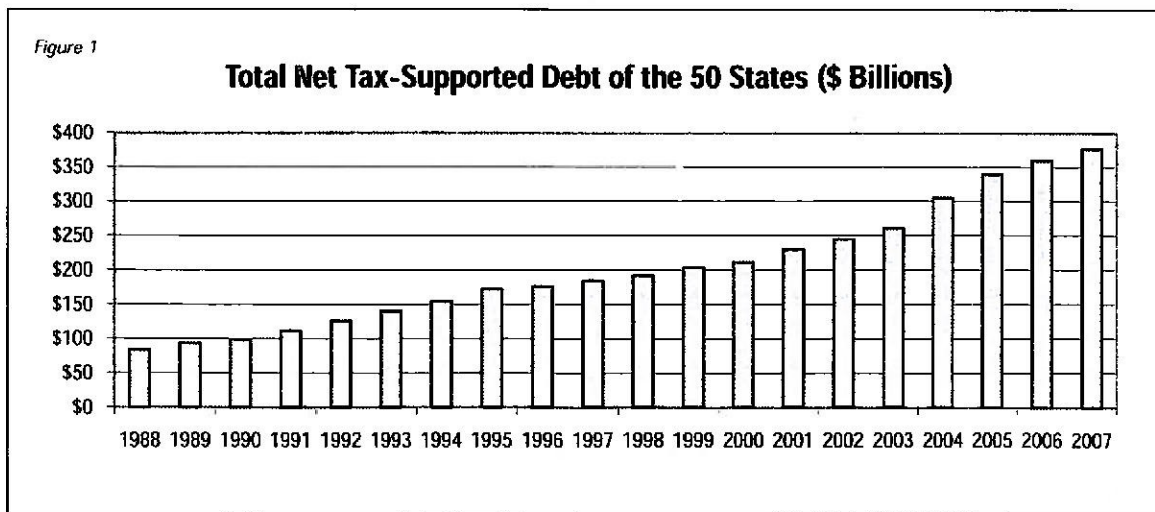
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2007 State Debt Medians

Summary Opinion

State net-tax supported debt increased by 5.0% in 2006, the lowest growth since 2000 and the flush period before the state fiscal downturn. Slower than the previous year (5.9% in 2005), the lower growth continues to reflect stronger state revenue and the use of pay-as-you-go financing, following substantial increases in state borrowing during the lowest points of the fiscal downturn. In 2003 and 2004—years when almost all states made cuts to their enacted budgets—net tax-supported debt increased by 16.8% and 11.5%, respectively. Net tax-supported debt outstanding in 2006 totaled \$378.4 billion (see Figure 1). Going forward, states may face both revenue and spending pressure that will lead to increased debt issuance, particularly for under-funded pensions and post-retirement benefits.



Moody's annual analysis of state debt medians examines the condition of net state tax-supported debt. Two measures of state debt burden—debt per capita and debt as a percentage of personal income—are used to gauge the long-term obligations supported by state tax bases. Debt burden is one of many factors that Moody's uses to determine state credit quality. We also consider gross debt, which includes contingent debt liabilities that may not have direct tax support but are included in state audited financial statements.

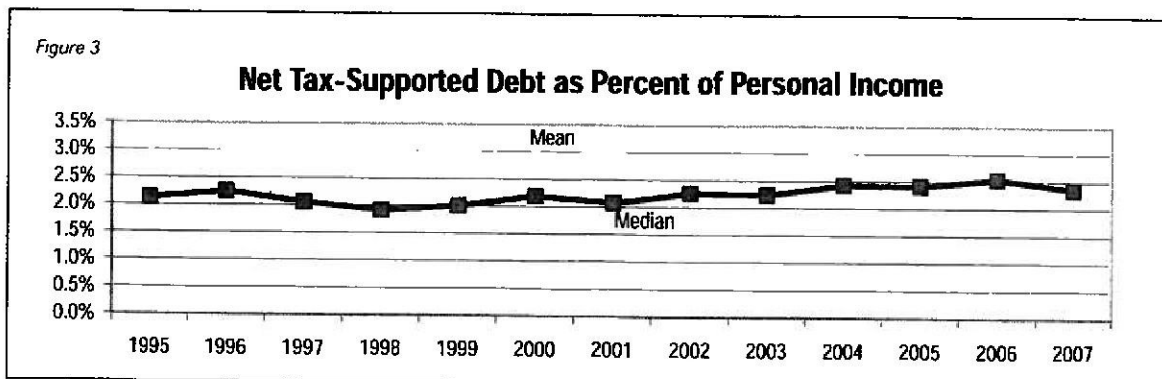
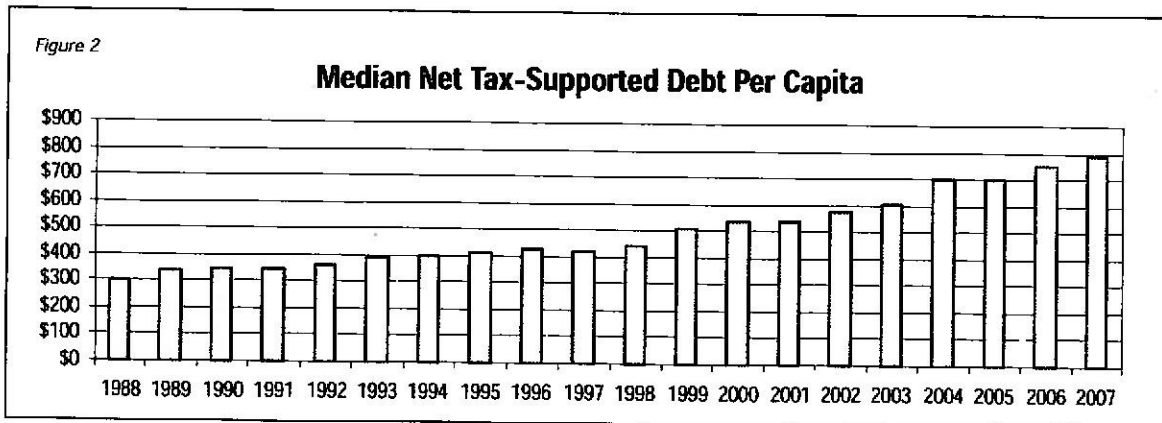
Slower Growth in Net-Tax Supported Debt Reflects Improved State Finances in 2006

Several factors contributed to the comparatively low 5.0% growth of net tax-supported debt in 2006. Outstanding tax-supported debt increased substantially earlier in the decade as cash-strapped states borrowed heavily. Amid an improved economy, robust revenue growth in fiscal 2005 and fiscal 2006 allowed states to replace some debt issuance with pay-as-you-go financing and to limit cash flow borrowing. (Short-term cash flow borrowing such as tax and revenue anticipation notes are not included in Moody's calculations of tax-supported debt.) Low interest rates also have allowed states to issue new debt for capital projects and to refinance existing debt at comparatively reduced costs; refinancing volume was particularly heavy during the fourth quarter of 2006. Since 1988, the long-term average annual growth rate of net tax-supported debt is 8.3%.

Notable bond transactions in 2006 included \$3 billion of highway bonds issued by the Texas Transportation Commission in several sales, including \$2 billion backed by the state's general obligation pledge; \$900 million of general obligation new money and refunding bonds issued by the Commonwealth of Pennsylvania; \$400 million of Louisiana Gulf Opportunity Zone bonds, \$200 million of which are state general obligations with two-year maturities and interest payments subsidized by federal tax credits, and \$200 million of which are 20-year, interest-bearing general obligations; \$1 billion of State Payment Acceleration Notes (SPANs) issued by California's Bay Area Infrastructure Financing Authority and backed by state appropriations; and \$1.2 billion of new money and refunding highway revenue bonds issues by the Missouri Highways and Transportation Commission.

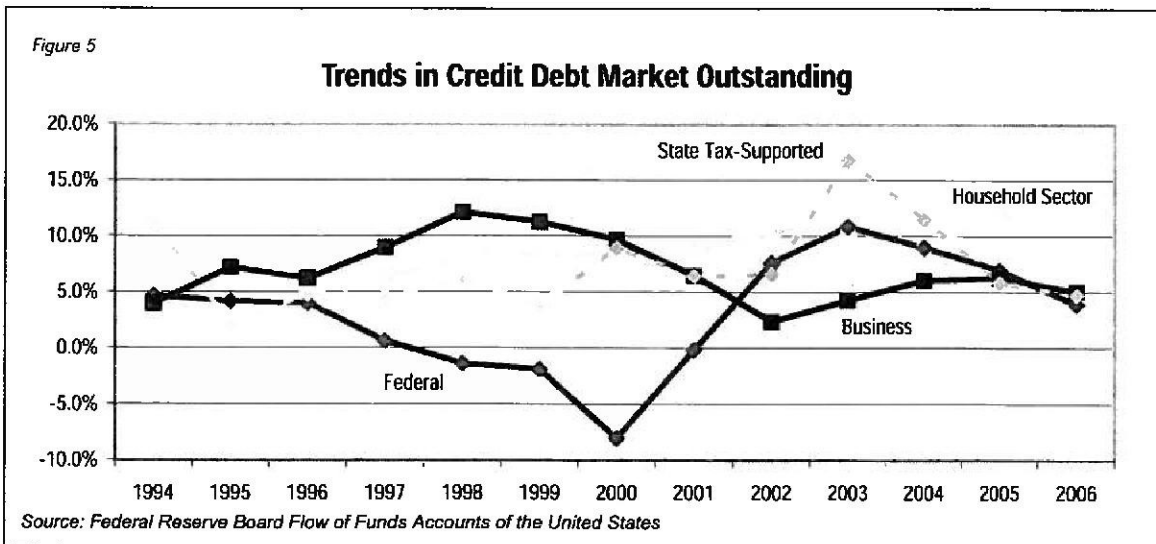
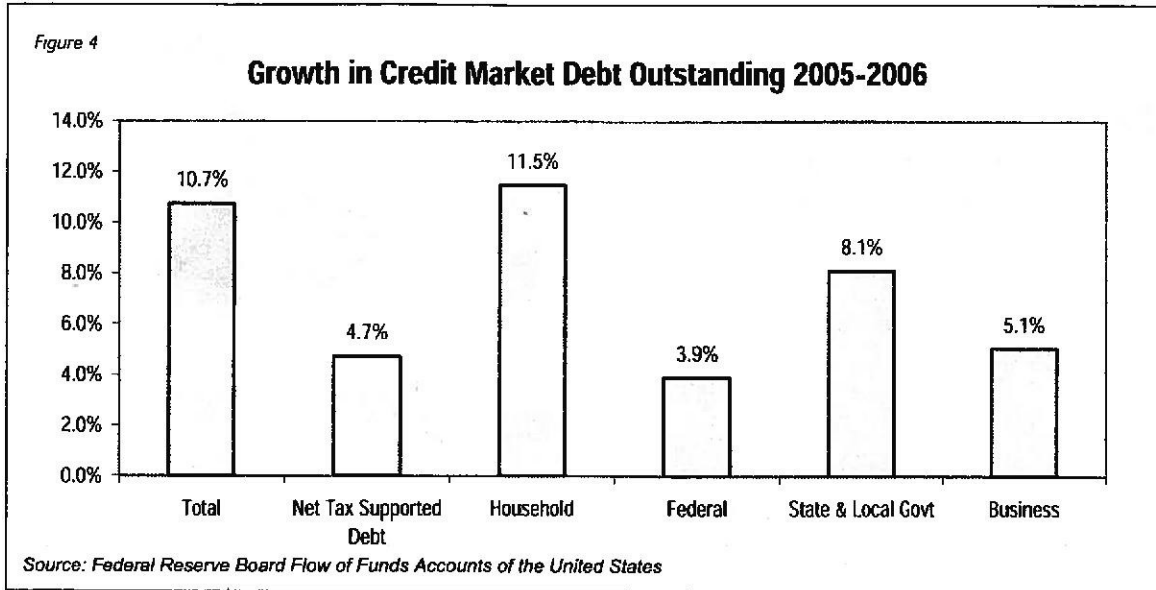
State Debt Burdens Also Continue to Increase

State debt burdens continued to rise in 2006, although at a lower pace than recent years, and have declined slightly relative to personal income. Median net tax-supported debt per capita increased by 4.4% in 2006 to \$787, while the median ratio of debt to personal income decreased to 2.4% (see Figure 2). By comparison, median net tax-supported debt per capita was \$754 in 2005 (a 7.2% increase compared to 2004) and median debt to personal income was 2.5% (see Figure 3). Mean debt per capita in 2006 increased by 3.9%, to \$1,101, the smallest increase since 2003, when it increased by 3.6%. Mean net tax-supported debt as a percentage of personal income in 2006 was 3.2% and reflects personal income growth among the largest state issuers at rates closer to the U.S. average (5.2% in 2005 and, on a preliminary basis, 6.3% in 2006).



U.S. Credit Markets Expand Significantly in 2006, Led By Household Sector

Debt outstanding in the U.S. credit markets increased by 10.7% in 2006 (see Figure 4). Household sector debt continues to grow the fastest, by 11.5%, and now reflects 29% of the total (see Figure 5 and Figure 6). Driven upwards by the booming home mortgage market and growth in revolving consumer credit during the past five years, household debt has increased annually by an average 10.8%.



Following several years of substantial spending increases primarily for national security and healthcare, federal government borrowing slowed significantly in 2006, increasing by 3.9% compared to the previous year, after 9% and 7% growth in 2004 and 2005, respectively; it accounts for 11% of total debt outstanding. Business sector debt, 20% of total debt, grew by 5.1% in 2006 (see Figure 6).

2007 State Debt Outlook: Continued Spending Pressure, More Moderate Revenue Growth May Boost Issuance

Going forward, states face both revenue and spending challenges that may lead to higher debt issuance. Pent-up demand for spending deferred during the downturn remains strong, particularly for K-12 and higher education. The costs of Medicaid and other state-supported public health programs continue to grow at the same time that supporting federal grants-in-aid are proposed to be reduced. State-employee healthcare costs also are rising dramatically, particularly for prescription drugs. Infrastructure needs continue to grow, including for highway construction and maintenance. States also face under-funded employee pension plans and the need to begin to fund other post-employment benefits, problems that some states may finance through debt issuance in coming years. At the same time, although state revenue continues to grow, and states likely will record strong personal income tax collections this month, some risks exist: the effects of the housing market slowdown on employment and consumer confidence have not yet been fully realized.

Related Research

Special Comments:

[Stable Outlook for State Ratings in 2007 Reflects More Moderate Economic and Revenue Environment, March 2007 \(102355\)](#)

[Moody's Municipal Rating Revisions — Fourth Quarter 2006, January 2007 \(101928\)](#)

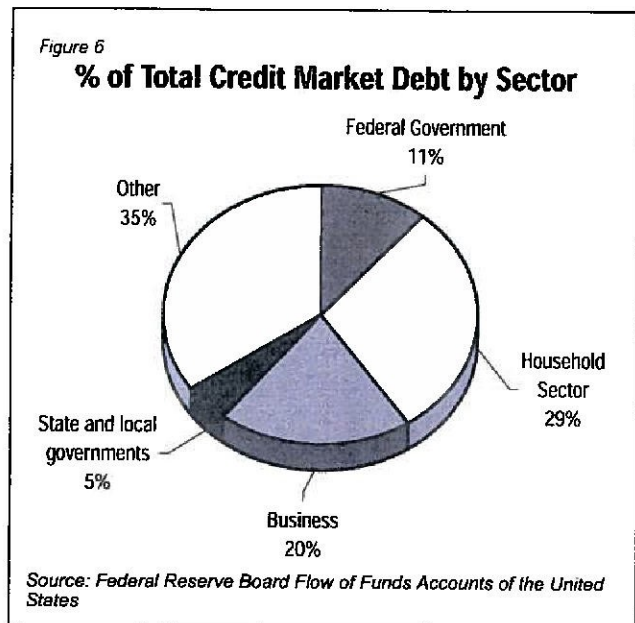
[Rating Changes for the 50 States from 1973 to Date, February 2007 \(102238\)](#)

[U.S. States Credit Scorecard, August 2006 \(98088\)](#)

Rating Methodology:

[Moody's State Rating Methodology, November 2004 \(89335\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.



(2)

2005

Table 1

Net Tax-Supported Debt Per Capita

			Rating
1	Massachusetts	\$4,153	Aa2
2	Connecticut	\$3,713	Aa3
3	Hawaii	\$3,630	Aa2
4	New Jersey	\$3,317	Aa3
5	New York	\$2,694	Aa3
6	Delaware	\$1,998	Aaa
7	Illinois	\$1,976	Aa3
8	Washington	\$1,765	Aa1
9	Rhode Island	\$1,687	Aa3
10	California	\$1,623	A1
11	Oregon	\$1,464	Aa3
12	New Mexico	\$1,435	Aa1
13	Wisconsin	\$1,405	Aa3
14	Louisiana	\$1,294	A2
15	Mississippi	\$1,247	Aa3*
16	Kansas	\$1,218	Aa1
17	Kentucky	\$1,204	Aa2*
18	Maryland	\$1,171	Aaa
19	West Virginia	\$1,071	Aa3
20	Florida	\$1,020	Aa1
21	Ohio	\$974	Aa1
22	Alaska	\$939	Aa2
23	Georgia	\$916	Aaa
24	Pennsylvania	\$852	Aa2
25	Minnesota	\$827	Aa1
26	Michigan	\$747	Aa2
27	North Carolina	\$728	Aaa
28	Vermont	\$706	Aaa
29	Virginia	\$692	Aaa
30	Indiana	\$657	Aa1*
31	South Carolina	\$630	Aaa
32	Utah	\$621	Aaa
33	Missouri	\$613	Aaa
34	Maine	\$603	Aa3
35	Arizona	\$594	Aa3
36	Nevada	\$591	Aa1
37	Alabama	\$590	Aa2
38	New Hampshire	\$492	Aa2
39	Oklahoma	\$450	Aa2
40	Montana	\$439	Aa2
41	Texas	\$415	Aa1
42	Arkansas	\$370	Aa2
43	Colorado	\$343	NGO**
44	North Dakota	\$322	Aa2*
45	South Dakota	\$261	NGO**
46	Tennessee	\$213	Aa2
47	Idaho	\$157	Aa2*
48	Iowa	\$104	Aa1*
49	Wyoming	\$97	NGO**
50	Nebraska	\$24	NGO**

MEAN: \$1,101

MEDIAN: \$787

Puerto Rico \$8,322*** Baa3

* Issuer Rating (No G.O. Debt)
 ** No General Obligation Debt
 *** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

Table 2

Net Tax-Supported Debt as a % of 2005 Personal Income

1	Hawaii	10.6%
2	Massachusetts	9.4%
3	Connecticut	7.8%
4	New Jersey	7.6%
5	New York	6.7%
6	Illinois	5.5%
7	Delaware	5.5%
8	New Mexico	5.3%
9	Washington	5.1%
10	Louisiana	4.9%
11	Mississippi	4.9%
12	Oregon	4.6%
13	Rhode Island	4.6%
14	California	4.4%
15	Kentucky	4.3%
16	Wisconsin	4.2%
17	West Virginia	3.9%
18	Kansas	3.7%
19	Florida	3.1%
20	Georgia	3.0%
21	Ohio	3.0%
22	Maryland	2.8%
23	Alaska	2.7%
24	Pennsylvania	2.4%
25	North Carolina	2.4%
26	Utah	2.3%
27	South Carolina	2.3%
28	Michigan	2.2%
29	Minnesota	2.2%
30	Vermont	2.1%
31	Indiana	2.1%
32	Alabama	2.0%
33	Arizona	2.0%
34	Missouri	1.9%
35	Maine	1.9%
36	Virginia	1.8%
37	Nevada	1.7%
38	Oklahoma	1.5%
39	Montana	1.5%
40	Arkansas	1.4%
41	Texas	1.3%
42	New Hampshire	1.3%
43	North Dakota	1.0%
44	Colorado	0.9%
45	South Dakota	0.8%
46	Tennessee	0.7%
47	Idaho	0.6%
48	Iowa	0.3%
49	Wyoming	0.3%
50	Nebraska	0.1%

MEAN: 3.2%

MEDIAN: 2.4%

Puerto Rico 66.3%**

** This figure is based on 2005 Personal Income. It is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

2005 DATA

Table 3

Total Net Tax Supported Debt (000's)

			Rating
1	California	\$59,171,200	A1
2	New York	\$52,014,000	Aa3
3	New Jersey	\$28,935,074	Aa3
4	Massachusetts	\$26,735,227	Aa2
5	Illinois	\$25,359,214	Aa3
6	Florida	\$18,454,123	Aa1
7	Connecticut	\$13,013,222	Aa3
8	Washington	\$11,290,608	Aa1
9	Ohio	\$11,176,473	Aa1
10	Pennsylvania	\$10,604,000	Aa2
11	Texas	\$9,756,427	Aa1
12	Georgia	\$8,577,760	Aaa
13	Wisconsin	\$7,806,409	Aa3
14	Michigan	\$7,538,800	Aa2
15	Maryland	\$6,573,900	Aaa
16	North Carolina	\$6,447,199	Aaa
17	Louisiana	\$5,549,156	A2
18	Oregon	\$5,418,714	Aa3
19	Virginia	\$5,285,480	Aaa
20	Kentucky	\$5,064,823	Aa2*
21	Hawaii	\$4,666,432	Aa2
22	Minnesota	\$4,274,574	Aa1
23	Indiana	\$4,147,983	Aa1*
24	Arizona	\$3,664,752	Aa3
25	Mississippi	\$3,628,815	Aa3*
26	Missouri	\$3,583,258	Aaa
27	Kansas	\$3,368,025	Aa1
28	New Mexico	\$2,803,880	Aa1
29	South Carolina	\$2,724,402	Aaa
30	Alabama	\$2,713,198	Aa2
31	West Virginia	\$1,947,646	Aa3
32	Rhode Island	\$1,801,344	Aa3
33	Delaware	\$1,705,328	Aaa
34	Colorado	\$1,632,403	NGO**
35	Oklahoma	\$1,608,998	Aa2
36	Utah	\$1,583,029	Aaa
37	Nevada	\$1,476,024	Aa1
38	Tennessee	\$1,286,373	Aa2
39	Arkansas	\$1,039,494	Aa2
40	Maine	\$797,180	Aa3
41	New Hampshire	\$647,412	Aa2
42	Alaska	\$629,100	Aa2
43	Vermont	\$440,735	Aaa
44	Montana	\$414,294	Aa2
45	Iowa	\$310,061	Aa1*
46	Idaho	\$230,764	Aa2*
47	North Dakota	\$204,725	Aa2*
48	South Dakota	\$204,171	NGO**
49	Wyoming	\$49,834	NGO**
50	Nebraska	\$42,400	NGO**
Totals	\$378,398,441		
Puerto Rico	\$32,557,100***		Baa3

* Issuer Rating (No G.O Debt)
 ** No General Obligation Debt
 *** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

Table 4

Gross Tax Supported Debt (000's)

			Gross to Net Ratio
1	California	\$66,664,200	1.13
2	New York	\$52,014,000	1.00
3	Massachusetts	\$34,203,405	1.28
4	New Jersey	\$33,740,775	1.17
5	Illinois	\$25,717,314	1.01
6	Florida	\$22,594,723	1.22
7	Michigan	\$21,929,300	2.91
8	Connecticut	\$20,952,322	1.61
9	Washington	\$17,090,608	1.51
10	Pennsylvania	\$14,051,000	1.33
11	Texas	\$13,099,845	1.34
12	Oregon	\$11,992,195	2.21
13	Ohio	\$11,259,233	1.01
14	Minnesota	\$11,156,199	2.61
15	Wisconsin	\$10,020,527	1.28
16	Virginia	\$9,614,993	1.82
17	Georgia	\$8,577,760	1.00
18	Colorado	\$8,492,403	5.20
19	Kentucky	\$7,224,467	1.43
20	Maryland	\$6,573,900	1.00
21	North Carolina	\$6,447,199	1.00
22	Louisiana	\$6,373,287	1.15
23	Alabama	\$6,301,950	2.32
24	Hawaii	\$6,079,265	1.30
25	Utah	\$5,811,454	3.67
26	Indiana	\$5,760,898	1.39
27	South Carolina	\$5,252,412	1.93
28	Maine	\$4,808,836	6.03
29	Arkansas	\$4,483,923	4.31
30	Tennessee	\$4,003,348	3.11
31	Arizona	\$3,884,172	1.06
32	Missouri	\$3,649,623	1.02
33	Mississippi	\$3,628,815	1.00
34	Kansas	\$3,595,773	1.07
35	Alaska	\$3,494,800	5.56
36	New Mexico	\$3,466,256	1.24
37	West Virginia	\$3,029,310	1.56
38	Delaware	\$2,757,585	1.62
39	Nevada	\$2,682,984	1.82
40	Iowa	\$2,679,697	8.64
41	Rhode Island	\$2,178,044	1.21
42	New Hampshire	\$1,979,637	3.06
43	Oklahoma	\$1,657,735	1.03
44	Idaho	\$1,101,199	4.77
45	Vermont	\$1,092,976	2.48
46	North Dakota	\$953,117	4.66
47	Montana	\$560,632	1.35
48	South Dakota	\$459,380	2.25
49	Wyoming	\$49,834	1.00
50	Nebraska	\$44,085	1.04
Totals	\$505,237,394		1.34
Puerto Rico	\$35,494,100**		1.09

** This figure is not included in any totals, averages, or median calculations but is provided for comparison purposes only.

Table 5
Net Tax-Supported Debt as a Percentage of Personal Income

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Alabama	2.4	2.2	2.0	2.0	1.8	1.9	1.7	1.5	2.3	2.2	2.2	2.2	2.0	2.0	2.2	2.0
Alaska	2.5	2.6	2.4	1.2	0.9	0.9	0.5	0.0	1.0	0.4	0.4	0.3	3.0	2.8	2.6	2.7
Arizona	1.6	1.8	1.6	2.7	2.4	2.1	1.9	1.9	1.6	1.6	1.9	2.1	2.3	2.6	2.2	2.0
Arkansas	0.7	0.7	0.7	0.6	0.7	0.6	0.8	0.6	0.9	1.2	1.2	1.4	1.8	1.6	1.6	1.4
California	2.0	2.5	3.0	3.5	2.8	2.6	2.6	2.6	2.4	2.5	2.5	2.5	3.2	4.7	4.6	4.4
Colorado	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.03	0.4	0.7	0.9	0.9	1.0	0.9	0.9
Connecticut	8.7	8.9	9.1	9.6	9.7	9.4	8.7	8.7	8.1	8.0	8.0	8.2	8.4	8.5	8.0	7.8
Delaware	8.1	7.5	8.0	8.0	7.6	6.4	5.9	5.7	5.2	5.5	5.3	5.0	5.6	5.5	5.3	5.5
Florida	2.2	2.3	2.9	3.0	2.9	3.0	3.4	3.5	3.4	3.3	3.4	3.5	3.5	3.4	3.2	3.1
Georgia	2.5	2.9	3.0	3.1	3.3	3.1	2.9	2.9	2.8	2.6	2.9	2.9	2.9	2.8	2.7	3.0
Hawaii	10.2	10.4	12.1	10.5	10.3	10.9	10.7	11.2	11.6	11.0	10.4	10.9	10.4	11.1	12.1	10.6
Idaho	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.4	0.4	0.3	0.4	0.3	0.5	0.6	0.6	0.6
Illinois	2.7	2.7	3.0	3.2	3.2	2.9	2.7	2.6	2.6	2.7	2.8	3.2	5.8	6.2	5.9	5.5
Indiana	0.7	1.0	1.0	1.0	0.9	0.9	0.8	0.9	0.9	1.1	1.1	1.1	1.3	1.4	1.6	2.1
Iowa	0.2	0.4	0.4	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.6	0.6	0.5	0.5	0.4	0.3
Kansas	0.5	1.3	2.0	2.1	2.0	1.9	1.7	2.0	2.4	3.1	3.0	3.0	3.3	4.0	3.8	3.7
Kentucky	4.7	5.1	5.0	4.7	5.1	4.1	3.9	3.7	3.5	4.4	4.3	4.4	4.4	4.0	4.5	4.3
Louisiana	6.5	6.3	5.9	5.4	4.9	4.4	2.6	2.6	2.4	2.5	2.4	2.7	2.6	2.4	3.1	4.9
Maine	2.2	2.7	2.6	2.7	2.7	2.6	1.9	1.9	2.1	2.0	1.9	1.8	1.8	2.2	2.0	1.9
Maryland	3.4	3.3	3.3	3.5	3.4	3.3	3.1	3.3	3.0	2.6	2.6	2.8	3.0	2.9	3.0	2.8
Massachusetts	8.0	8.5	8.2	8.4	8.3	8.1	7.8	7.8	8.0	8.5	8.5	8.5	8.5	8.5	9.8	9.4
Michigan	1.2	1.6	1.5	1.5	1.5	1.5	1.6	1.7	1.5	1.6	1.5	1.8	2.2	2.2	2.1	2.2
Minnesota	2.2	2.2	2.0	1.9	1.9	2.2	1.9	2.0	1.9	1.8	1.8	1.9	2.0	2.0	2.1	2.2
Mississippi	1.8	1.8	2.1	2.0	3.0	2.9	3.5	4.4	4.7	4.6	4.7	5.6	5.2	4.8	4.8	4.9
Missouri	1.3	1.3	1.2	1.2	1.3	1.3	1.0	1.0	1.0	1.1	1.3	1.3	1.6	1.5	1.6	1.9
Montana	2.2	2.1	1.9	3.2	2.4	1.4	1.4	1.7	1.7	1.7	1.6	1.4	1.3	1.1	1.4	1.5
Nebraska	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nevada	2.9	2.7	2.2	2.1	2.0	1.8	1.6	1.8	1.8	1.8	1.7	1.4	2.0	2.0	2.2	1.7
New Hampshire	2.5	2.7	2.9	2.9	2.9	2.5	2.4	2.3	2.0	1.5	1.5	1.4	1.5	1.3	1.4	1.3
New Jersey	2.2	3.0	2.9	3.7	3.6	3.8	5.1	5.2	5.3	5.5	5.6	5.5	5.9	7.4	7.9	7.6
New Mexico	1.8	1.7	2.1	2.1	2.1	2.0	1.9	2.6	3.1	4.0	4.0	3.7	4.1	5.3	4.7	5.3
New York	5.6	6.1	6.4	6.6	6.9	6.7	6.5	6.6	6.4	6.2	5.9	5.9	6.7	7.2	6.7	6.7
North Carolina	0.6	0.6	0.6	0.8	0.7	0.7	1.0	1.2	1.4	1.4	1.4	1.6	2.0	2.5	2.8	2.4
North Dakota	1.2	1.2	1.1	1.1	1.1	1.0	0.8	0.6	0.7	0.9	0.9	0.9	0.9	0.6	1.2	1.0
Ohio	2.4	2.5	2.5	2.4	2.5	2.5	2.5	2.7	2.7	2.6	2.6	2.6	2.7	2.9	2.9	3.0
Oklahoma	0.4	0.4	1.0	1.0	0.8	0.9	0.8	1.2	1.3	1.4	1.3	1.2	1.2	1.2	1.4	1.5
Oregon	1.5	1.1	1.2	1.2	1.4	1.9	1.2	1.2	1.3	1.6	1.5	1.6	4.5	4.7	4.5	4.6
Pennsylvania	2.7	2.6	2.7	2.6	2.4	2.2	2.0	2.3	2.2	2.2	2.3	2.3	2.2	2.3	2.3	2.4
Rhode Island	6.1	8.8	8.9	8.7	8.5	8.7	6.6	6.5	6.2	5.3	5.2	5.0	4.4	4.3	4.1	4.6
South Carolina	1.8	1.9	1.6	1.7	1.6	1.6	1.6	1.6	1.6	1.8	2.5	2.4	2.4	2.2	2.5	2.3
South Dakota	2.2	2.3	2.3	2.1	1.8	1.8	1.5	1.5	1.5	1.2	0.9	0.7	0.9	0.9	0.7	0.8
Tennessee	1.0	0.8	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.2	0.9	0.8	0.8	0.7	0.8	0.7
Texas	1.2	1.1	1.2	1.6	1.7	1.5	1.4	1.3	1.2	1.0	0.9	0.9	0.8	1.0	1.0	1.3
Utah	1.6	1.7	1.6	1.7	1.8	1.7	3.1	3.6	3.3	2.8	3.0	2.9	3.5	3.2	2.7	2.3
Vermont	4.5	4.6	4.5	4.7	4.9	4.7	4.2	4.2	3.8	3.3	3.0	3.0	2.5	2.3	2.2	2.1
Virginia	1.2	1.3	1.6	1.7	1.6	1.7	2.1	2.0	2.1	1.9	1.8	1.7	1.7	1.8	1.7	1.8
Washington	4.4	5.0	5.0	5.0	4.8	5.0	4.8	4.6	4.6	4.4	4.4	4.8	4.9	4.9	4.9	5.1
West Virginia	4.7	3.4	3.1	2.5	2.6	2.7	2.8	3.4	3.3	4.2	4.0	4.1	3.6	4.6	4.4	3.9
Wisconsin	2.7	3.1	3.0	3.0	2.9	3.2	2.8	2.8	2.7	3.2	3.0	3.3	4.5	4.7	4.3	4.2
Wyoming	0.0	0.0	0.5	0.4	0.4	0.7	0.7	1.0	1.0	1.0	1.4	0.9	0.8	0.7	0.3	0.3
Median	2.2	2.2	2.1	2.1	2.1	2.1	1.9	2.0	2.2	2.1	2.3	2.2	2.4	2.4	2.5	2.4

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Commonwealth of Pennsylvania

Presentation on State Debt
House Finance Committee

February 27, 2008

Edward G. Rendell
Governor

Michael J. Masch
Secretary of the Budget

www.pa.gov

**Wall Street uses three standard measures
to assess debt burden of the states:**

- Debt relative to the aggregate wealth of the state population
- Debt relative to the size of annual state revenues
- Debt per capita state population

**And Rating Agencies Agree Pennsylvania
Has a Low Debt Burden**

Edward G. Rendell, Governor

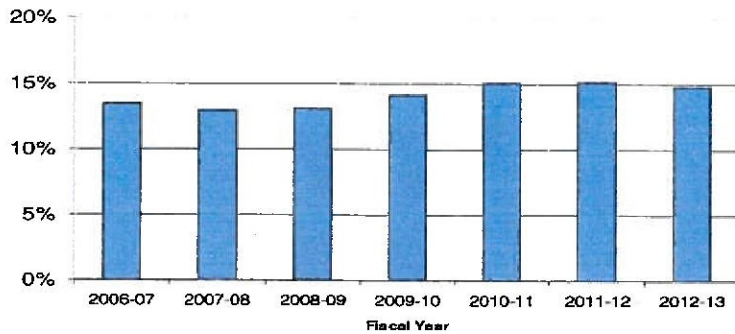
Pennsylvania's Constitutional Debt Limit

The Pennsylvania Constitution limits outstanding capital budget debt to 1.75 times the average tax revenues during the previous five fiscal years. Voter approved and disaster relief debt are not subject to the constitutional debt limit.

In 2008-09, Pennsylvania's outstanding debt is projected to be only 13 percent of the constitutionally imposed limit.

what % when voter approved debt is included?

Capital Budget Debt as a Percent of the Debt Limit

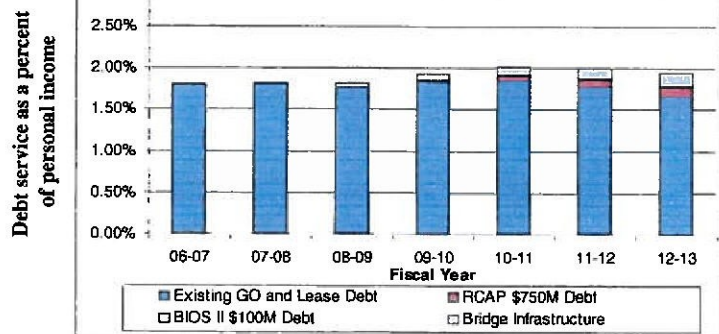


Edward G. Rendell, Governor

Pennsylvania Will Continue to Have a Low Debt Burden Under Governor Rendell's Budget Plan

Even after factoring in the Governor's proposed Protecting Our Progress initiatives, Pennsylvania's debt service as a percent of personal income will remain well below the generally accepted criteria of 3 percent ceiling for issuers considered to have a "low debt burden."

GO Bond and Lease Rental Debt as a Percent of Personal Income

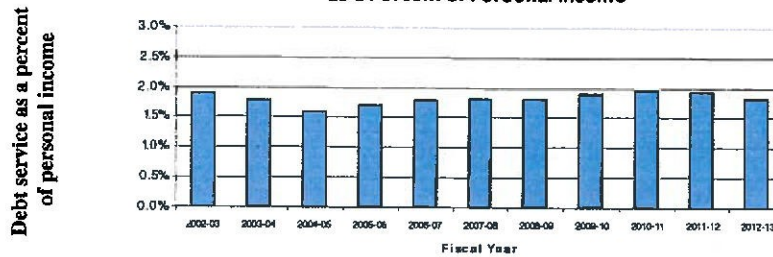


Edward G. Rendell, Governor

Pennsylvania Will Continue to Have a Low Debt Level

Pennsylvania's debt service as a percent of personal income has remained and is projected to remain relatively constant at around 2 percent over the 10-year period from 2002-03 to 2012-13. At 2 percent of personal income, Pennsylvania's debt service is fully 33 percent lower than the threshold for issuers considered to have "low debt burdens."

GO Bond and Lease Rental Debt as a Percent of Personal Income

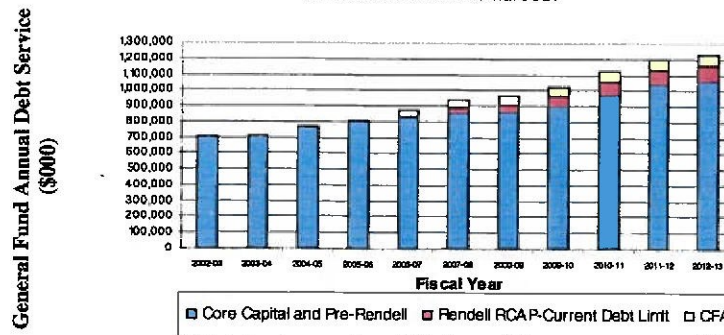


Edward G. Rendell, Governor

Pennsylvania Will Continue to Have a Low Debt Level

Commitments to "Core Capital" programs and capital funds committed to projects prior to 2003 are responsible for the vast majority of the commonwealth's general obligation and lease debt. Increases for the Redevelopment Assistance Capital Program and the Commonwealth Financing Authority since 2003 have added only moderately to state General Obligation and lease rental debt.

GO Bond and Lease Rental Debt



Edward G. Rendell, Governor

Core Capital Program

Each year, the commonwealth spends nearly \$590 million on its "core" capital program, independent of funding that is provided for various other capital programs, such as the Redevelopment Capital Assistance, Growing Greener II and the Economic Stimulus programs. The "core" capital program enables the commonwealth to make much-needed capital investments in higher education facilities, local transportation assistance projects, flood control projects and aviation grants.

The \$590 million in "core capital" funding presented below does not reflect the Governor's proposed Rebuilding Pennsylvania infrastructure initiative.

Amounts in Millions

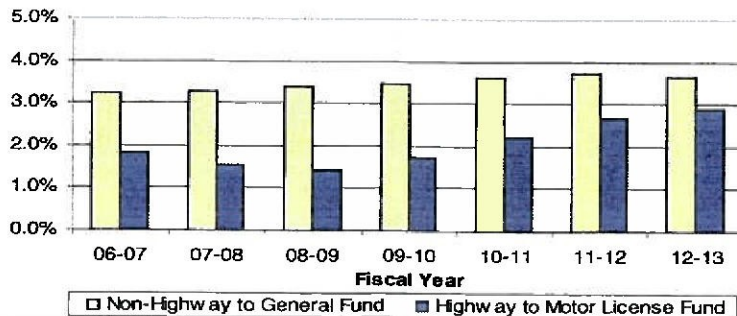
Improvements to State Facilities	\$250
Higher Education Capital Projects	\$165
Local Transportation Assistance	\$125
Rail Freight and Aviation	\$25
Port Improvements	\$15
Flood Control	\$10
Total	\$590

Edward G. Rendell, Governor

Pennsylvania Will Continue to Have a Low Debt Level

In 2008-09 the commonwealth will spend \$966 million, or 3.4 percent of its General Fund budget, on Debt Service. The commonwealth's General Fund debt service as a percent of revenues remains below the generally accepted criteria of 5 percent for issuers considered to have a "low debt burden." The commonwealth issues debt to pay for capital enhancements to state-owned facilities, environmental remediation and economic development projects.

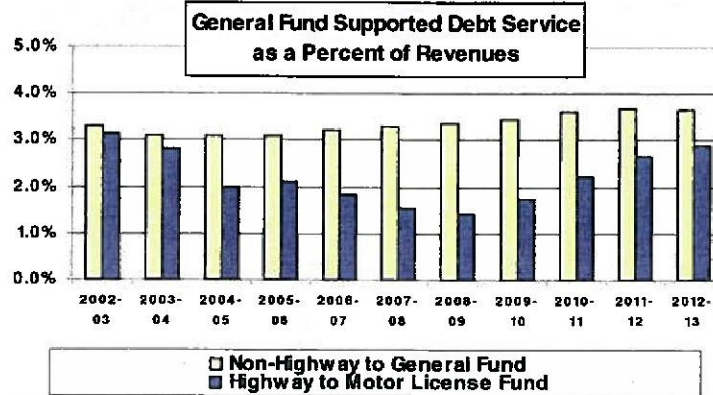
General Fund Supported Debt Service as a Percent of Revenues



Edward G. Rendell, Governor

Pennsylvania Will Continue to Have a Low Debt Level

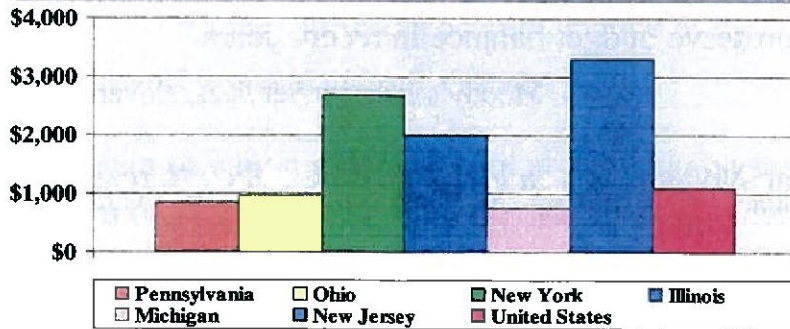
The commonwealth's debt service has remained and is projected to remain between 3 percent and 4 percent as a percent of General Fund revenues between 2002-03 and 2012-2013, a full 20 percent below the 5 percent threshold for issuers considered to have a "low debt burden." Even after implementation of the Governor's Rebuilding Pennsylvania program to fast track renewal of structurally deficient bridges, debt service in 2012-13 as a percentage of Motor License Fund revenues will be lower than it was in January 2003.



Edward G. Rendell, Governor


Per Capita Debt is Lower in Pennsylvania Than in Other States

Pennsylvania's ranking on debt places it in the middle of the pack among the states -- below neighboring states like New York, New Jersey and Ohio, and below the mean of all 50 states.



Source: Moody's Investors Service, "2007 State Debt Medians," April 2007

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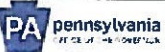
2008-09 Executive Budget 

Edward G. Rendell, Governor

Average Annual General Obligation Debt Issuance
Adjusted for Inflation, GO Debt Issuance in Governor Rendell's 1st Term Was Only 5th Highest

Rank	Governor's Term	Average Annual Debt Issued (net of refundings) Adjusted for Inflation	Average Annual Debt Issued (net of refundings) Unadjusted
1	Shapp (1971-1975)	\$703,078,375	\$415,500,000
2	Shafer (1967-1971)	\$629,723,750	\$442,832,500
3	Casey (1991-1995)	\$587,515,875	\$536,000,000
4	Ridge/Schweiker (1999-2003)	\$553,878,500	\$685,500,000
5	Rendell (2003-2007)	\$540,429,525	\$713,250,000
6	Shapp (1975-1979)	\$528,095,250	\$333,500,000
7	Casey (1987-1991)	\$511,542,625	\$433,750,000
8	Ridge (1995-1999)	\$461,193,850	\$483,325,000
9	Thornburgh (1983-1987)	\$356,804,000	\$278,000,000
10	Thornburgh (1979-1983)	\$184,891,250	\$135,250,000

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2008-09 Executive Budget 

Edward G. Rendell, Governor

Pennsylvania is Rated "AA Stable"

Pennsylvania has "an established record of good financial management, reflected in strong actions to preserve budget balance in recent years."

– Moody's Investor Services, November 2007

Pennsylvania has "a long-standing policy to maintain debt at a level that does not overburden resources ..."

– Fitch Ratings, December 2007

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Edward G. Rendell, Governor

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