Bonding Authorization and Debt Affordability

New Hampshire State Treasury

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Debt Affordability

Borrowing costs are largely influenced by the State's credit rating. Rating agencies evaluate the State's economy, financial conditions, and operating results focusing on:

- Structural budget balance or imbalance
- Stability and diversity of revenue sources
- Reserves (rainy day fund)
- Increased budgetary pressures (i.e. Medicaid, pension, post-employment benefit obligations)
- Flexibility to manage revenues, expenditures, and reserves
- Debt burden

New Hampshire Credit Ratings:

- Aa1, stable outlook from Moody's
- AA+, stable outlook from Fitch
- AA+, stable outlook from S&P

Debt Affordability

- Debt Limit Calculation (RSA 6-C:2) ***prohibits the Legislature from authorizing any additional net tax-supported debt, actual and projected debt service, exceeding 10% of unrestricted revenues for the previous fiscal year.*** --- This statutory limit serves as a guardrail to prevent excessive borrowing.

- Debt Affordability Study calculates debt metrics that project whether the State's debt levels will remain manageable over the next few fiscal years.
  - total debt to personal income,
  - total net debt per capita,
  - net debt service to unrestricted revenues
    - *Particular attention is paid to this metric to measure excessive borrowing*

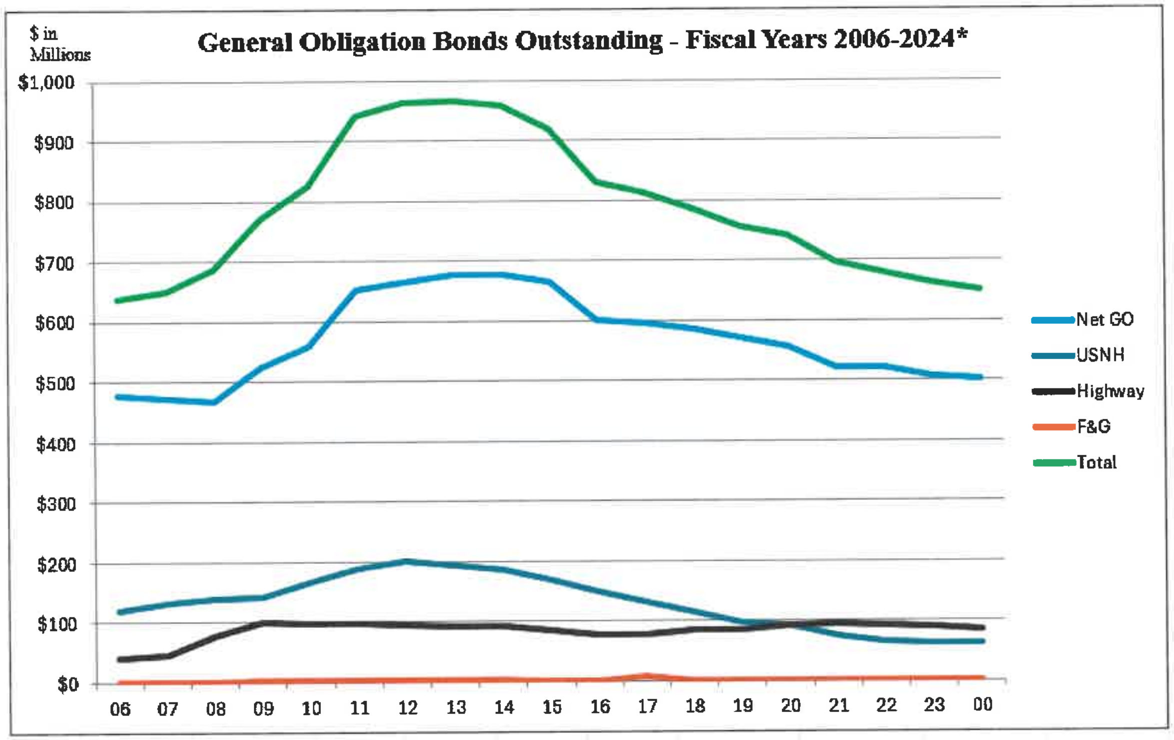
Debt Affordability

- NH's debt to revenue ratio has improved significantly over the last 10 years drive primarily by revenue outperformance.

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
8.2%	7.3%	6.8%	6.4%	6.4%	6.7%	5%	4%	4%	3.8%

- The rating agencies praise the State's debt levels and debt management practices.

Debt Affordability



*2006-2023, as reported in State of NH Information Statement. 2024 GO bonds outstanding amounts are unaudited.

2024 Debt Affordability Study

	2024	2025	2026	2027	2028	Moody's Median 2024 (1)
Net General Fund Debt (2)	$ 484.1	$ 525.5	$ 528.9	$ 530.6	$ 533.5	
Total Net Debt to Personal Income	0.4%	0.4%	0.4%	0.4%	0.4%	2%
Total Net Debt Per Capita	$ 344	$ 371	$ 372	$ 371	$ 371	$ 1,189
Net Debt Service to General Fund Revenues (3)	3.8%	4.4%	4.3%	4.4%	4.4%	3.88% (4)

(1) Moody's 2024 medians per *October 7, 2024 Revenue growth and lower adjusted pension liability boost capacity to manage long-term debt report.*

(2) Includes school building aid.

(3) FY 2024 General Fund revenues (unaudited).

(4) S&P current costs to revenue median for AA+ rated states per *November 20, 2024 States' Median report*.

Assumptions:

- No revenue growth
- $60 million bond issue each year, except in 2025 ($100 million)

Key Takeaways

- Although there is additional debt capacity, prudent debt management practices have been a significant factor in maintaining our current credit ratings.
- Additional bonding authorizations may create budgetary pressures, increasing fixed costs.
- New Hampshire bonds are amortized over a period of 20 years. Therefore, projects with useful lives of less than 20 years should be analyzed.
- No concerns with the capital budget proposed by the House.

State Treasury Publications

- Official Statements and Supplemental Disclosures
- Debt Affordability Study
- RSA 6-C:2 Debt Limit Certification

https://www.nh.gov/treasury/forms-publications/index.htm#bonds