

Bonding Authorization and Debt Affordability



NEW HAMPSHIRE STATE TREASURY

APRIL 27, 2023

Debt Affordability

- The Debt Affordability Study – Evaluation conducted each year that calculates key debt metrics (total debt to personal income, total net debt per capita, net debt service to unrestricted revenues) and projects whether the State’s debt levels will remain manageable over the next few fiscal years. --- We pay particular attention to the debt to revenue ratio as the rating agencies measure excessive debt service burden using this metric.
- The Debt Limit Calculation prescribed in RSA 6-C:2 prohibits the Legislature from authorizing any additional net tax-supported debt (debt paid with general funds) that would result in actual and projected debt service exceeding 10% of unrestricted general fund revenues for the previous fiscal year. --- This statutory limit serves as a guardrail to prevent excessive borrowing.

FY 2022 Debt Affordability Study

Using Bonding Authorization of \$60 million per Fiscal Year

	Fiscal Year (in thousands)					Moody's Median
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	2022 ⁽¹⁾
Net General Fund Debt ⁽²⁾	\$507,818	\$509,035	\$510,335	\$511,844	\$516,267	N/A
Total Net Debt to Personal Income	0.5%	0.5%	0.4%	0.4%	0.4%	2.1%
Total Net Debt Per Capita	\$ 364	\$ 363	\$ 362	\$ 361	\$ 363	\$ 1,179
Net Debt Service to General Fund Revenue ⁽³⁾	4.0%	4.0%	4.1%	4.1%	4.0%	N/A

(1) From Moody's 2022 State Debt Medians Report, which is based on calendar year and FY 2021 data.

(2) Includes school building aid debt.

(3) Using FY 2022 Unrestricted Revenues.

(4) "Rule of thumb" of 10% is used by credit analysts to warn of excessive debt service burden.

RSA 6-C:2 Debt Limit

Fiscal Year	Current Actual General Fund Debt Service	Projected Debt		Total Projected General Fund Debt Service	10% of FY 2022 General Fund Unrestricted Revenues	Less: Total Projected General Fund Debt Service	Annual Debt Service Capacity
		Service - \$316.5M GF Bonds Authorized & Unissued	Projected Debt Service - \$149M Guaranteed Debt				
2023	73,164,015	7,912,500	4,470,000	85,546,515	199,102,600	85,546,515	113,556,085
2024	67,580,661	25,157,700	12,868,500	105,606,861	199,102,600	105,606,861	93,495,739 (a)
2025	61,706,040	25,145,150	12,862,180	99,713,370	199,102,600	99,713,370	99,389,230
2026	53,242,519	25,133,075	12,853,830	91,229,424	199,102,600	91,229,424	107,873,176
2027	50,822,136	25,120,225	12,845,580	88,787,941	199,102,600	88,787,941	110,314,659
2028	44,281,130	25,106,325	12,837,440	82,224,895	199,102,600	82,224,895	116,877,705
2029	38,361,576	25,091,050	12,828,390	76,281,016	199,102,600	76,281,016	122,821,584

(a) Correlates to \$1,165 million in authorizations

- Debt to revenue ratio of 10% is the “warning” level monitored by rating agencies.

Bonding Considerations

- NH's ratio has improved significantly over the last 10 years.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
7.7%	8.4%	8.2%	7.3%	6.8%	6.4%	6.4%	6.7%	5%	4%

- GO borrowing costs largely influenced by State's credit rating. Rating agencies evaluate State's financial condition and operating results focusing on:
 - Rainy Day Fund balance
 - Structural budget balance or imbalance
 - Medicaid, pension, and post-employment benefit obligations and funding levels
 - Stability and diversity of revenue sources
 - Legislative flexibility to manage revenues, expenditures, and reserves
- The rating agencies praise the State's debt levels and debt management practices, one of the credit positives that responds predictably to budgetary policy.

Bonding Considerations

- Maintaining borrowing capacity for unanticipated capital needs is deemed prudent.
- Borrowing costs have increased and are expected to remain at that level for some time, which could create additional pressures to the operating budget.
- Presently, the amount of “authorized and unissued” General Obligation debt is \$255.6 million, which represents bonding authorizations for capital projects that have not yet begun spending.
- New Hampshire Credit Ratings:
 - Aa1, stable outlook from Moody’s
 - AA+, stable outlook from Fitch
 - AA, positive outlook from S&P

State Treasury Publications

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

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

