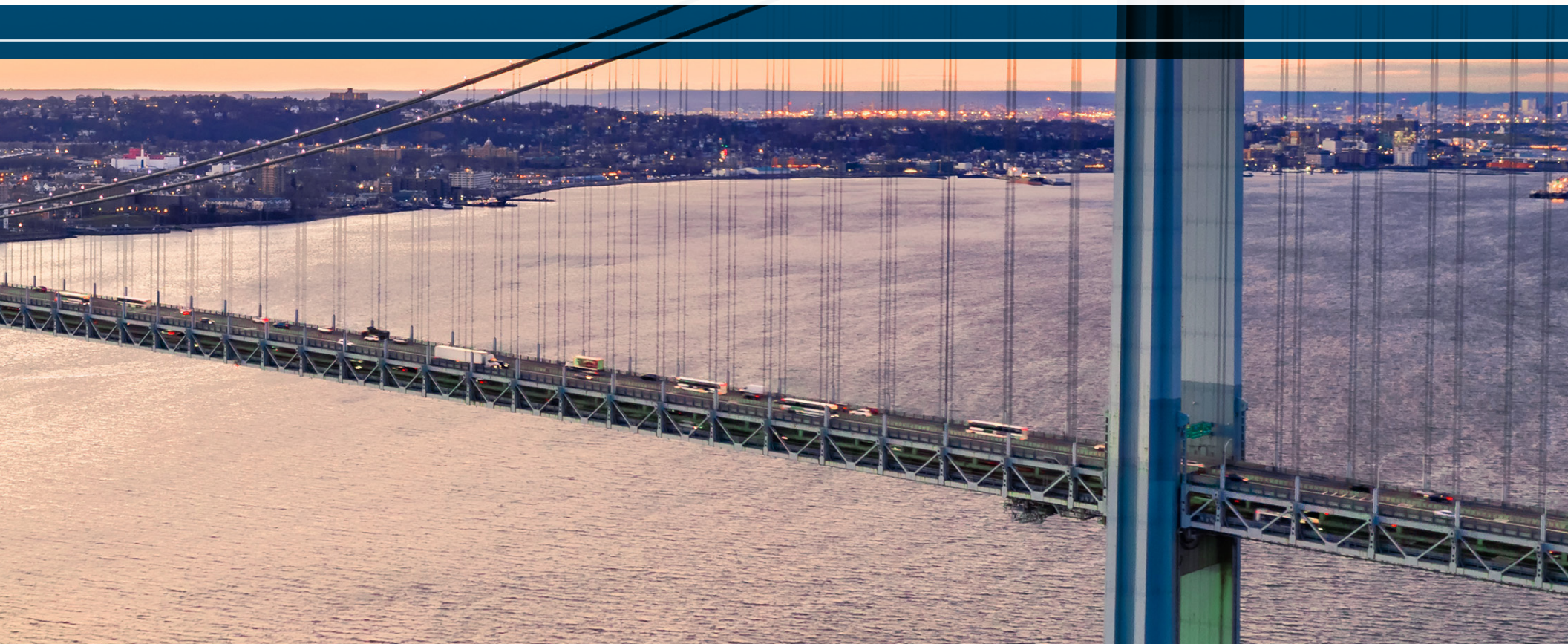


Muni 360

The comprehensive view of the municipal bond market.

MacKay Municipal Managers.™ The minds behind **munis**.



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INVESTMENTS





Top 5 Municipal Market Insights for 2024

From **MacKay Municipal Managers™** The Minds Behind Munis

2024: The year of FUNDamental municipal investing

After two tumultuous years, we expect a municipal market recovery in 2024 and we believe municipal bond mutual funds will outperform other investment vehicles. While there are many ways to invest in municipal bonds, successful investment principles are relatively few: be highly diversified, maintain liquidity, employ strong fundamental credit analysis offensively, identify relative value opportunities, be active, build in an attractive income stream, manage tax liabilities and be flexible. A prudently, actively managed mutual fund incorporates all of these principles. In our opinion, other methods of accessing municipal investments necessitate concessions that violate the core principles of prudent investing in the municipal bond market: concentrated holdings, limited liquidity, minimal activity, rigidity and limited, defensively oriented credit research.

Markets can move quickly, so being early is often preferable to waiting and missing the opportunity. In our opinion, the opportunity includes capitalizing on attractive municipal yields and being well positioned to realize total returns. In 2024, we believe successful municipal bond managers will prioritize the fundamental facts over the headlines, recognize the strength of municipal credit and look to capture the opportunities in the high yield municipal market. We also hold the view that by diversifying their retirement portfolios to include taxable municipal bonds, investors may stand to benefit.

Top 5 Municipal Market Insights for 2024

1

Investing through a mutual fund captures the municipal market opportunity

Since the end of 2021, prudent fund managers have increased dividend rates, restructured portfolios and harvested losses to manage future capital gains distributions. Simultaneously, many investors shed duration by retreating to exceptionally attractive yields on money market instruments. In response to a probable pivot by the Federal Reserve in 2024, we anticipate short term rates will decline while longer-term bonds outperform. Therefore, investors may consider securing longer duration and income durability in the near term. However, higher yields only matter if they are in your portfolio. We believe investors have the opportunity to acquire high accrual rates, active portfolio positioning, and the flexibility essential to capture the market's recovery through mutual funds. Other professionally managed solutions are available, such as passive, index bound ETFs or buy-and-hold, ladder separately managed accounts. However, in our opinion, the rigidity of their constrained investing approaches limits their efficacy. In 2024, we believe municipal market prices will rise and mutual funds will provide a compelling vehicle to capture that performance potential.

2

The specter of rising taxes increases the value of tax exemption

We believe anticipation of rising taxes will increase the value of tax exemption. In 2024, we expect Federal taxes due on elevated taxable money market earnings will renew investors' tax awareness. Investors should recall that the Tax Cuts and Jobs Act of 2017 income tax provisions expire at the end of 2025.¹ In addition, the Federal government will likely need other incremental revenues to finance its \$33 trillion of debt.² The bite of impending, higher Federal taxes may also be accompanied by state tax increases. For example, some states may face budget pressures as State and Local Fiscal Recovery Funds (SLFRF) grants are exhausted.³ We believe anticipation of higher taxes motivates investors to seek the attractive, legacy income streams of well managed mutual funds. While focusing on tax strategy now may seem early, we maintain it would be advantageous for investors to get ahead of potential tax increases.

3

Deep analysis is necessary to find credits that will outlast headline risk

We continue to have confidence in the general condition of municipal credit despite some rising concerns to the contrary. The strength of municipal credit has become the subject of casual observers opining on the impact of a potentially slowing economic cycle. Despite the dire warnings, we believe that many municipal issuers have ample financial flexibility to weather this environment. For example, focus has been placed on the slowing growth of state and local tax bases due to stagnating personal incomes and wavering office property values. However, a deeper analysis reveals that revenue streams remain diverse and that last year's collections reached all-time highs while budgetary reserves are nearly double that of pre-pandemic levels.⁴ In addition, municipal issuers have the capacity to raise revenues and cut expenses when needed to stabilize credit strength. Based on historical patterns, we expect municipal default rates should remain significantly more stable than corporate bonds even if the economy weakens more than expected.

4

Capitalize on high yield market participants' overcorrections

In our opinion, there has been an historical pattern in the high yield municipal market where certain investors have used a selection process based on chasing yield somewhat indiscriminately. This can lead to overweight positions in weaker, less liquid and typically non-rated credits. The somewhat anomalous combination of rising bond yields and, for some issuers, improving credit conditions over the past two years has brought focus on the shortfalls of chasing yield. It has also confirmed the efficacy of using a risk-managed, relative value approach to investing in high yield municipal bonds. In our opinion, those yieldchasing investors will over compensate for historically chasing yield by indiscriminately selling and/or avoiding credits. Consequently, we believe more disciplined managers will be presented with opportunities to acquire better quality high yield municipal bonds at attractive levels. We expect discerning high yield municipal investors employing a credit research-driven, relative value approach to security selection will be rewarded in 2024.

5

Individual investors embrace taxable municipal bonds in retirement plans

We expect U.S. based individual investor demand for taxable municipals will continue to increase. In our opinion, individuals will view taxable municipal bonds as an attractive complement to their investment grade corporate bond exposure in their qualified accounts. Taxable municipal bonds can offer attractive absolute yields, credit spreads and additional return potential with the same strong fundamentals as traditional tax-exempt financings. Additionally, in our view, demand from both domestic and overseas institutional investors should be robust in 2024 as credit spreads remain attractive and hedging costs will most likely recede with the normalization of yield curves around the world. This one-two punch should increase demand and help propel returns in this often overlooked segment of the municipal marketplace in 2024.

1. <https://www.taxpolicycenter.org/briefing-book/how-did-tax-cuts-and-jobs-act-change-personal-taxes>

2. <https://fiscaldata.treasury.gov/datasets/historical-debt-outstanding/historical-debt-outstanding>

3. <https://www.nlc.org/covid-19-pandemic-response/american-rescue-plan-act/arpa-local-relief-frequently-asked-questions/>

4. <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/09/27/state-tax-revenue-declines-from-record-highs> and https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/Fiscal%20Survey/NASBO_Fall_2023_Fiscal_Survey_of_States_S.pdf

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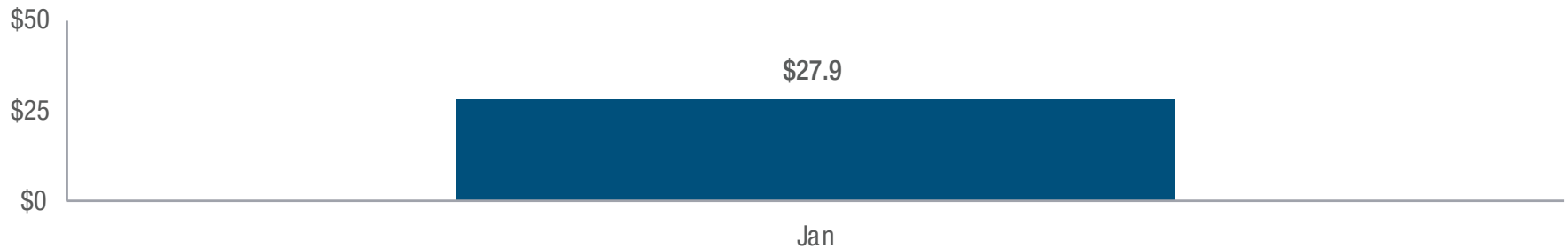
Municipal Market Monthly Update

TECHNICAL BACKDROP

SUPPLY:

- Muni issuance in January totaled \$28 billion, up 17% month-over-month and up 19% year-over-year, with net issuance at \$9 billion.
- Year-to-Date gross and net issuance through month-end was +\$28 billion and +\$9 billion, respectively.

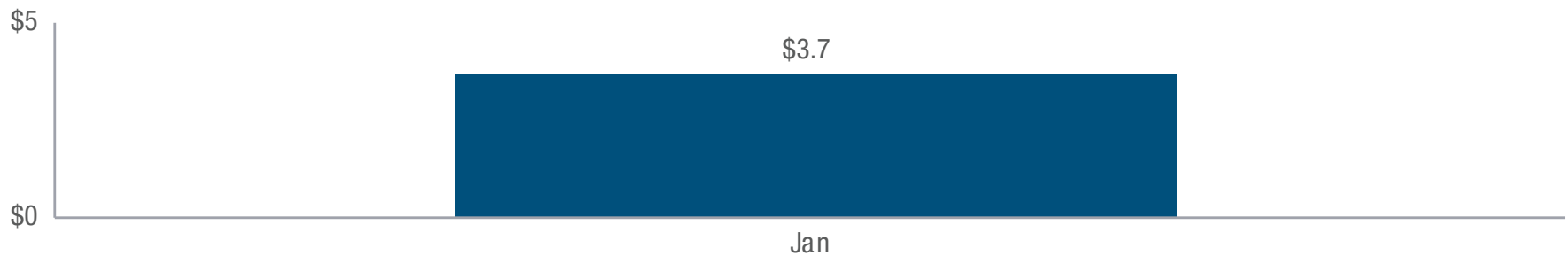
2024 Monthly Gross Issuance (\$B)



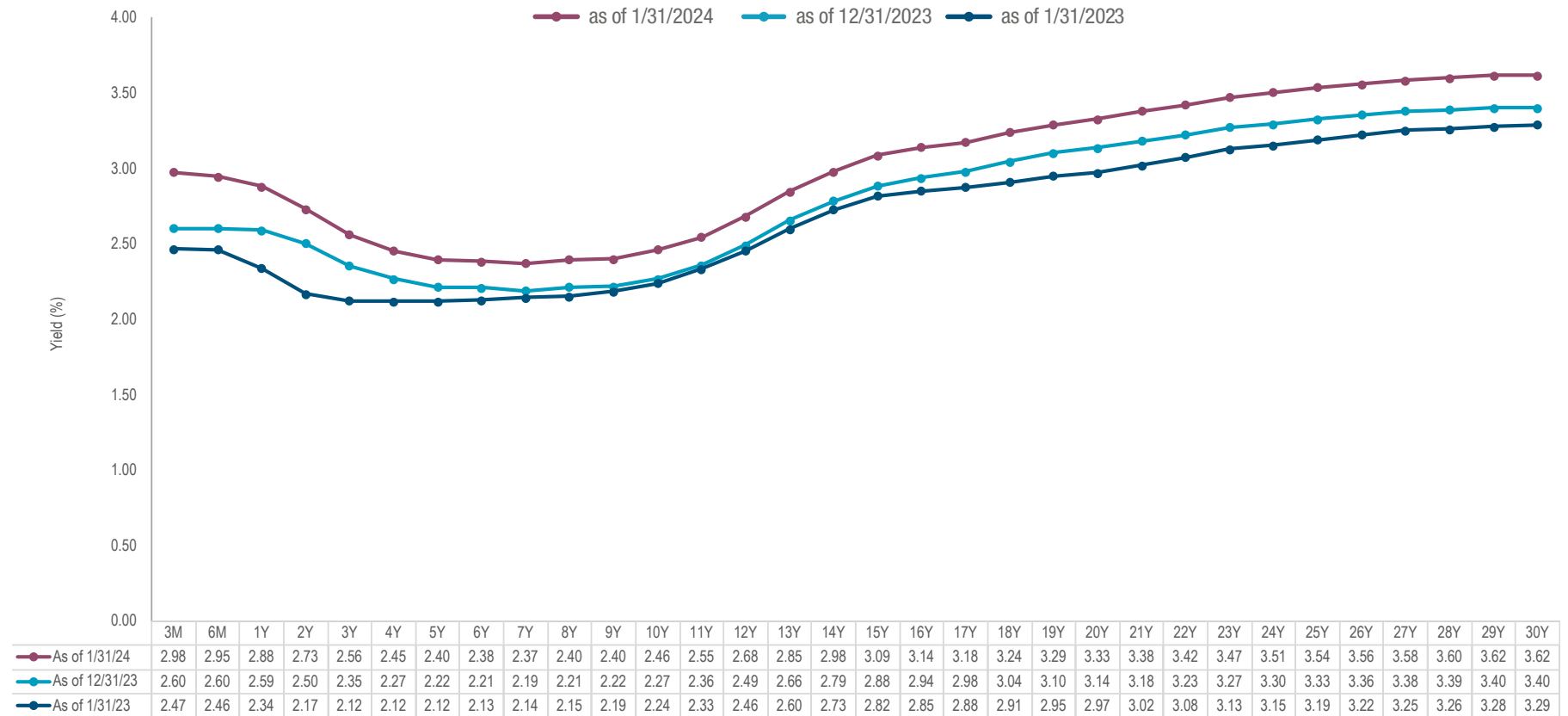
DEMAND:

- Muni flows were positive in January, with inflows averaging about \$1.0 billion per week.

2024 Monthly Municipal Fund Flows (\$B)*

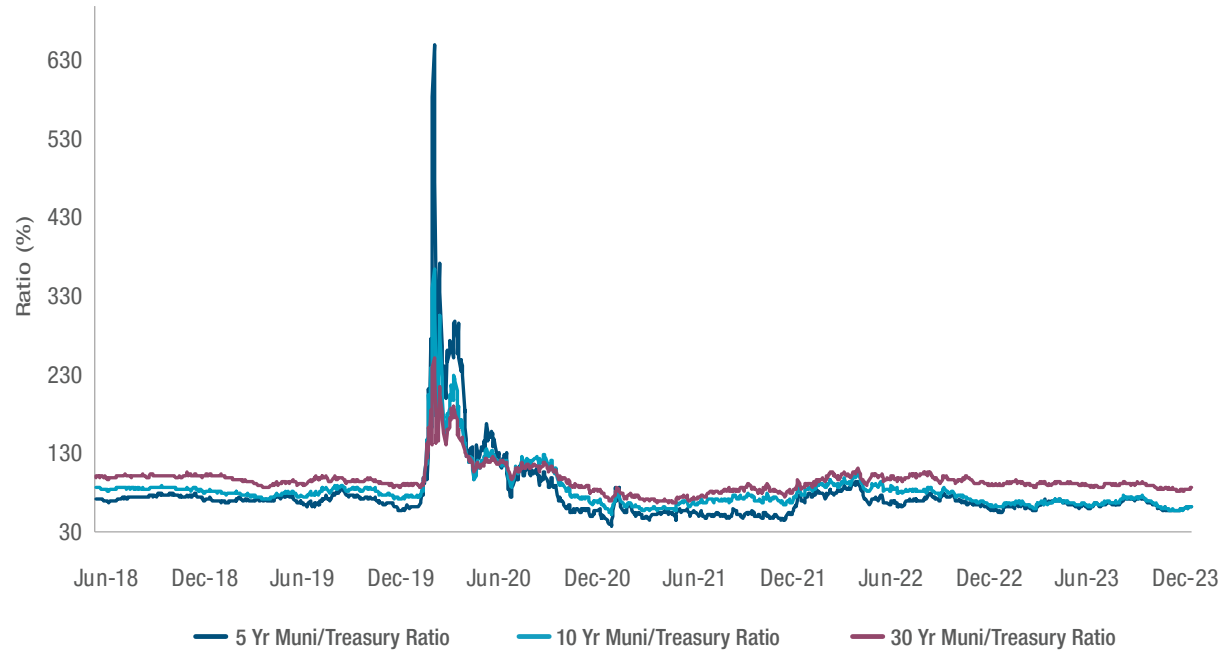


AAA-Rated Municipal Yield Curve (%)



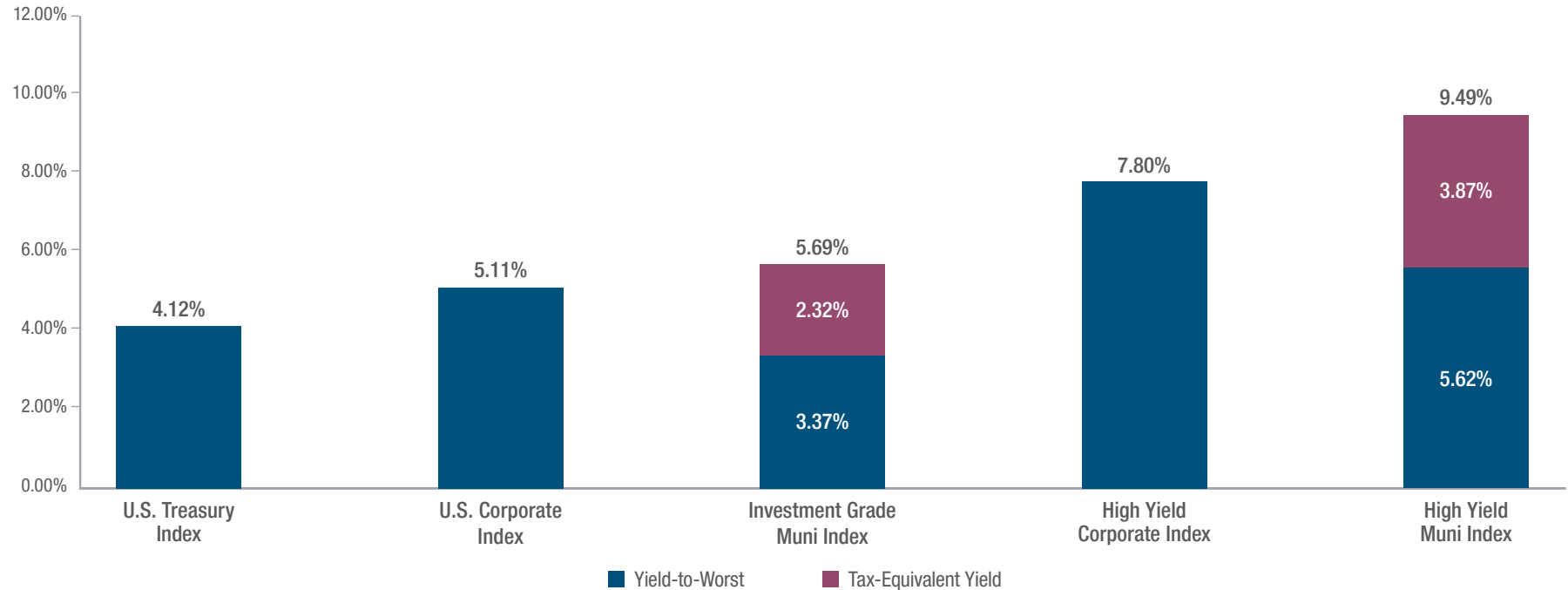
Source: Bloomberg, as of 01/31/24. The yield curve is a visual representation of the yield of AAA-Rated Municipal Bonds at varying maturities. AAA-Rated Municipal Bonds is represented by Bloomberg Municipal AAA Index. Past performance is not indicative of future results. It is not possible to invest directly in an index.

AAA-Rated Municipal/Treasury Yield Ratio (%)



Source: Bloomberg, as of 01/31/24. The Municipal/Treasury Ratio, M/T ratio or muni-Treasury ratio, as it is more commonly known, is a comparison of the current yield of municipal bonds to U.S. Treasuries. Representative indices: Bloomberg U.S. Treasury Index and Bloomberg U.S. Municipal Index. Treasury Securities are backed by the full faith and credit of the United States government as to payment of principal and interest if held to maturity. Interest income on these securities is exempt from state and local taxes. Past performance is not indicative of future results. An investment cannot be made in an index.

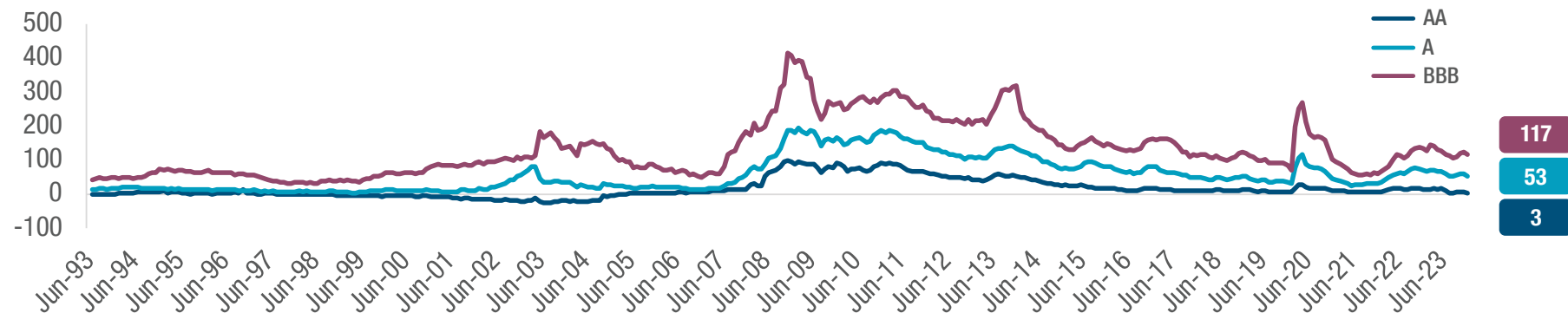
January 2024 Tax-Equivalent Yields



Source: Bloomberg, as of 01/31/24. Representative indices: Bloomberg U.S. Treasury Index, Bloomberg U.S. Corporate Bond Index, Bloomberg U.S. Municipal Index, Bloomberg U.S. High Yield Corporate Index, and Bloomberg High Yield Municipal Index. Assumes 37% federal tax rate and 3.8% net investment income tax. Yield to worst is computed by using the lower of either the yield to maturity or the yield to call on every possible call date. Past performance is not indicative of future results. An investment cannot be made in an index. Figures may not sum up due to rounding.

Investment Grade Municipal Market Spreads & Performance

AA-, A-, and BBB-Rated Municipal Index Yield Spreads Over AAA-Rated Municipal Index Yield



Source: Bloomberg as of 01/31/24. Monthly data. Representative indices: Bloomberg Municipal AAA Index, Bloomberg Municipal AA Index, Bloomberg Municipal A Index, and Bloomberg Municipal BBB Index. Past performance is not indicative of future results. An investment cannot be made in an index.

Returns (%), as of January 31, 2024

	Number Issues	Price Return	Coupon Return	MTD Total Return	Past 3m	Past 6m	Year-to-Date	Past 12m
Municipal Bond Index	57,131	-0.86	0.35	-0.51	8.26	2.70	-0.51	2.90
1 Year (1-2)	3,724	-0.40	0.37	-0.03	2.01	1.98	-0.03	2.50
3 Year (2-4)	6,563	-0.58	0.36	-0.22	3.25	2.09	-0.22	1.83
5 Year (4-6)	6,047	-0.67	0.36	-0.32	5.04	2.43	-0.32	1.92
7 Year (6-8)	5,901	-0.76	0.35	-0.40	6.49	2.59	-0.40	2.11
10 Year (8-12)	11,297	-0.84	0.34	-0.50	7.58	2.57	-0.50	2.49
15 Year (12-17)	11,156	-0.88	0.34	-0.54	9.91	2.99	-0.54	3.62
20 Year (17-22)	6,343	-0.91	0.35	-0.56	11.16	2.99	-0.56	3.65
Long Bond (22+)	6,100	-1.26	0.36	-0.89	12.85	2.89	-0.89	3.50

MTD: Month to Date, Source: Bloomberg, as of 01/31/24. Representative indices: Bloomberg Municipal Index, Bloomberg Municipal 1 Yr 1-2, Bloomberg Municipal 3 Yr 2-4, Bloomberg Municipal 5 Yr 4-6, Bloomberg Municipal 10 Yr 8-12, Bloomberg Municipal 20 Yr 17-22, and Bloomberg Municipal Long 22+ Yr. Past performance is not indicative of future results. An investment cannot be made in an index.

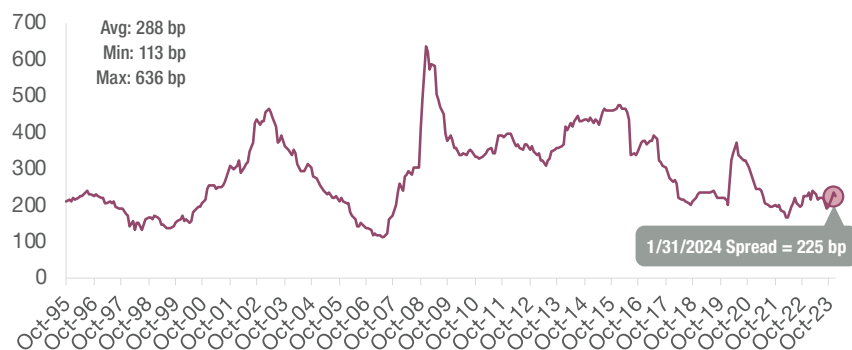
High Grade Municipals, Returns by Sector

January 2024	(%)	Year-to-Date 2024	(%)
Resource Recovery	-0.16	Resource Recovery	-0.16
IDR/PCR	-0.24	IDR/PCR	-0.24
Transportation	-0.40	Transportation	-0.40
Tobacco	-0.41	Tobacco	-0.41
Electric	-0.46	Electric	-0.46
Hospital	-0.51	Hospital	-0.51
Water & Sewer	-0.53	Water & Sewer	-0.53
Special Tax	-0.60	Special Tax	-0.60
Education	-0.62	Education	-0.62
Leasing	-0.63	Leasing	-0.63
Housing	-0.88	Housing	-0.88

Source: Bloomberg, as of 01/31/24. Representative indices: Bloomberg Municipal AAA Index and Bloomberg High Yield Municipal Index. Past performance is not indicative of future results. An investment cannot be made in an index.

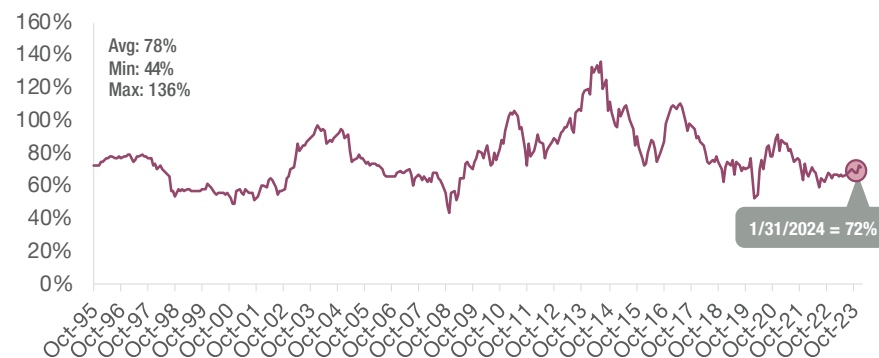
High Yield Municipal Market Spreads & Performance

High Yield Municipal Index Yields Minus Investment Grade Municipal Index Yields



Source: Bloomberg, as of 01/31/24. Representative indices: High Yield Municipal Index: Bloomberg High Yield Municipal Index; Investment Grade Municipal Index: Bloomberg Municipal Index. Past performance is not indicative of future results. An investment cannot be made in an index.

Ratio of High Yield Municipal Index to Corporate High Yield Index Yield-to-Worst



Source: Bloomberg, as of 01/31/24. Representative indices: Municipal High Yield Index: Bloomberg High Yield Municipal Index; Corporate High Yield Index: Bloomberg U.S. Corporate High Yield Index. Past performance is not indicative of future results. An investment cannot be made in an index.

Returns (%), as of January 31, 2024

	Number Issues	Price Return	Coupon Return	MTD Total Return	Past 3m	Past 6m	Year-to-Date	Past 12m
High Yield Muni	5,231	-0.87	0.40	-0.46	10.47	3.42	-0.46	4.08
High Yield Muni Ex-Puerto Rico	5,161	-1.01	0.42	-0.59	9.76	2.95	-0.59	3.34
High Yield Muni Puerto Rico	72	-0.13	0.30	0.17	14.11	5.81	0.17	7.82

MTD: Month to Date, Source: Bloomberg, as of 01/31/24. Representative indices: Bloomberg High Yield Municipal Index, Bloomberg High Yield Municipal Ex-Puerto Rico Index, and Bloomberg High Yield Municipal Puerto Rico Index. Past performance is not indicative of future results. An investment cannot be made in an index.

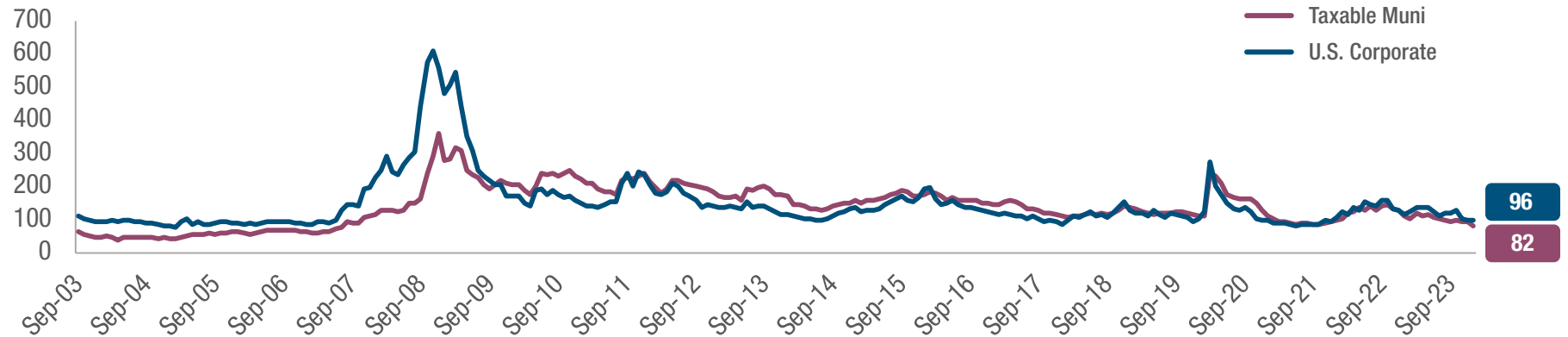
High Yield Municipals, Returns by Sector

January 2024	(%)	Year-to-Date 2024	(%)
Water & Sewer	1.59	Water & Sewer	1.59
Resource Recovery	0.67	Resource Recovery	0.67
Transportation	0.46	Transportation	0.46
Electric	0.29	Electric	0.29
Special Tax	-0.39	Special Tax	-0.39
IDR/PCR	-0.44	IDR/PCR	-0.44
Housing	-0.54	Housing	-0.54
Hospital	-0.69	Hospital	-0.69
Leasing	-0.74	Leasing	-0.74
Education	-1.42	Education	-1.42
HY Tobacco	-1.58	HY Tobacco	-1.58

Source: Bloomberg, as of 01/31/24. Representative index: Bloomberg High Yield Municipal Index. Past performance is not indicative of future results. An investment cannot be made in an index.

Taxable Municipal Market Spreads & Performance

Taxable Municipal Index Option-Adjusted Spread vs. U.S. Corporate Index Option-Adjusted Spread (bps)



Source: Bloomberg as of 01/31/24. Monthly data. Representative indices: Bloomberg Taxable Municipal Index and Bloomberg U.S. Corporate Index. The option-adjusted spread (OAS) is the measurement of the spread of a fixed income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. Past performance is not indicative of future results. An investment cannot be made in an index.

Returns (%), as of January 31, 2024

	Number Issues	Price Return	Coupon Return	MTD Total Return	Past 3m	Past 6m	Year-to-Date	Past 12m
Taxable Muni	9,367	-0.42	0.36	-0.06	10.09	4.31	-0.06	3.56

MTD: Month to Date, Source: Bloomberg, as of 01/31/24. Representative index: Bloomberg Taxable Municipal Index. Past performance is not indicative of future results. An investment cannot be made in an index.

Taxable Municipals, Returns by Sector

	January 2024 (%)	Year-to-Date 2024 (%)		January 2024 (%)	Year-to-Date 2024 (%)
Tobacco	0.79	0.79	Toll & Turnpike	0.17	0.17
GO - State	0.63	0.63	Pollution Control	0.14	0.14
ETM	0.62	0.62	Water & Sewer	0.13	0.13
GO - Local	0.57	0.57	Airport	0.13	0.13
Misc	0.53	0.53	Transportation	0.07	0.07
Leasing COPS & Appropriations	0.46	0.46	Multi-Family Housing	-0.10	-0.10
Hospitals	0.44	0.44	Single Family Housing	-0.17	-0.17
Tax	0.43	0.43	Health	-0.28	-0.28
Pre-Refunded	0.41	0.41	Education	-0.29	-0.29
Utilities - Other	0.28	0.28	Industrial Development Revenue	-0.81	-0.81
Power	0.19	0.19			

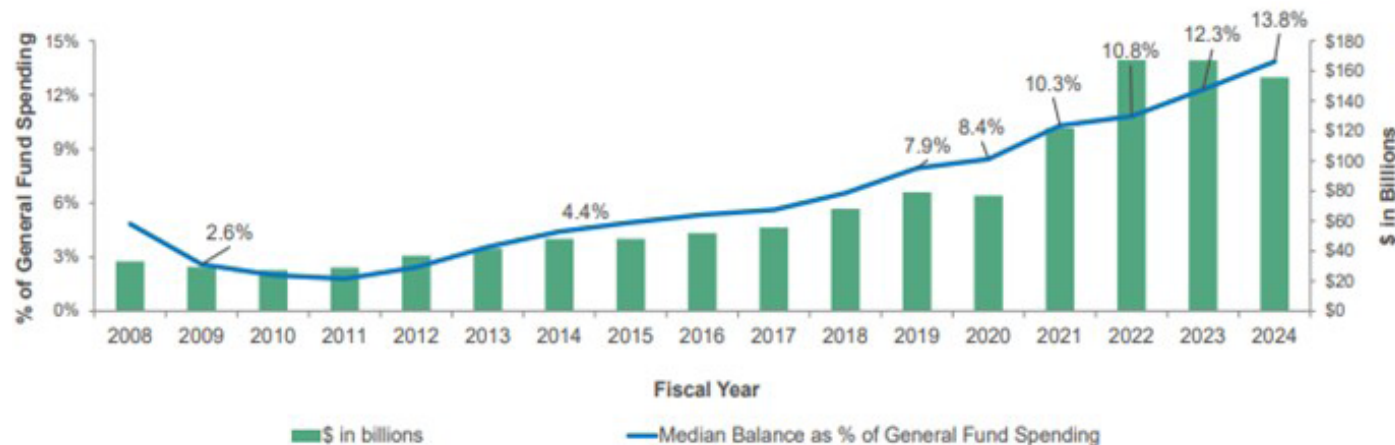
Source: ICE Indices, as of 01/31/24. Representative index: ICE BofA U.S. Taxable Municipal Securities Plus Index (TXBL). Past performance is not indicative of future results. An investment cannot be made in an index.



Median Rainy Day Fund Balance as a Percentage of General Fund Expenditure Continues Rising

- ▶ Between fiscal years 2020 and 2022, states significantly increased their rainy day fund balances from \$77.0 billion to \$167.3 billion by depositing revenue surpluses. The overall high levels of rainy day funds, along with other measures taken by states to enhance fiscal stability, indicate that states are well-prepared to manage their budgets in case of an economic downturn.
- ▶ The median rainy day fund balance as a percentage of spending increased from 10.8 percent in fiscal 2022 to 12.3 percent in fiscal 2023, and is estimated to reach 13.8 percent based on enacted budgets for fiscal 2024.
- ▶ 41 states reported year-over-year increases in the size of their rainy day fund balances in fiscal 2023, measured in nominal dollars.

Rainy Day Fund Balances in Dollars and Median Balance as a percentage of General Fund Expenditures



Source: Summary: [Fall 2023 Fiscal Survey of States](https://www.nasbo.org/reports-data/fiscal-survey-of-states) from <https://www.nasbo.org/reports-data/fiscal-survey-of-states>



Top Five Insights For 2024

In this episode, **Chris Roberti** sits down with **Bob DiMella** from the Los Angeles trading desk to discuss our Top Five Insights for 2024. Bob is the Co-Head & Co-CIO of MacKay Municipal Managers, and a Municipal Bond Portfolio Manager with focus on the investment grade segment of the market. Together, Bob and Chris break down our team's macro views for the New Year as well as the themes we implement in the portfolios we manage.



Bob DiMella,

Executive Managing Director and Co-Head
MacKay Municipal Managers



Chris Roberti,

Managing Director and Chief Marketing Officer
MacKay Municipal Managers

Tune in to the full [Muni 360 Podcast](#) episode to hear more, and be sure to subscribe to [the podcast](#) wherever you listen to podcasts.

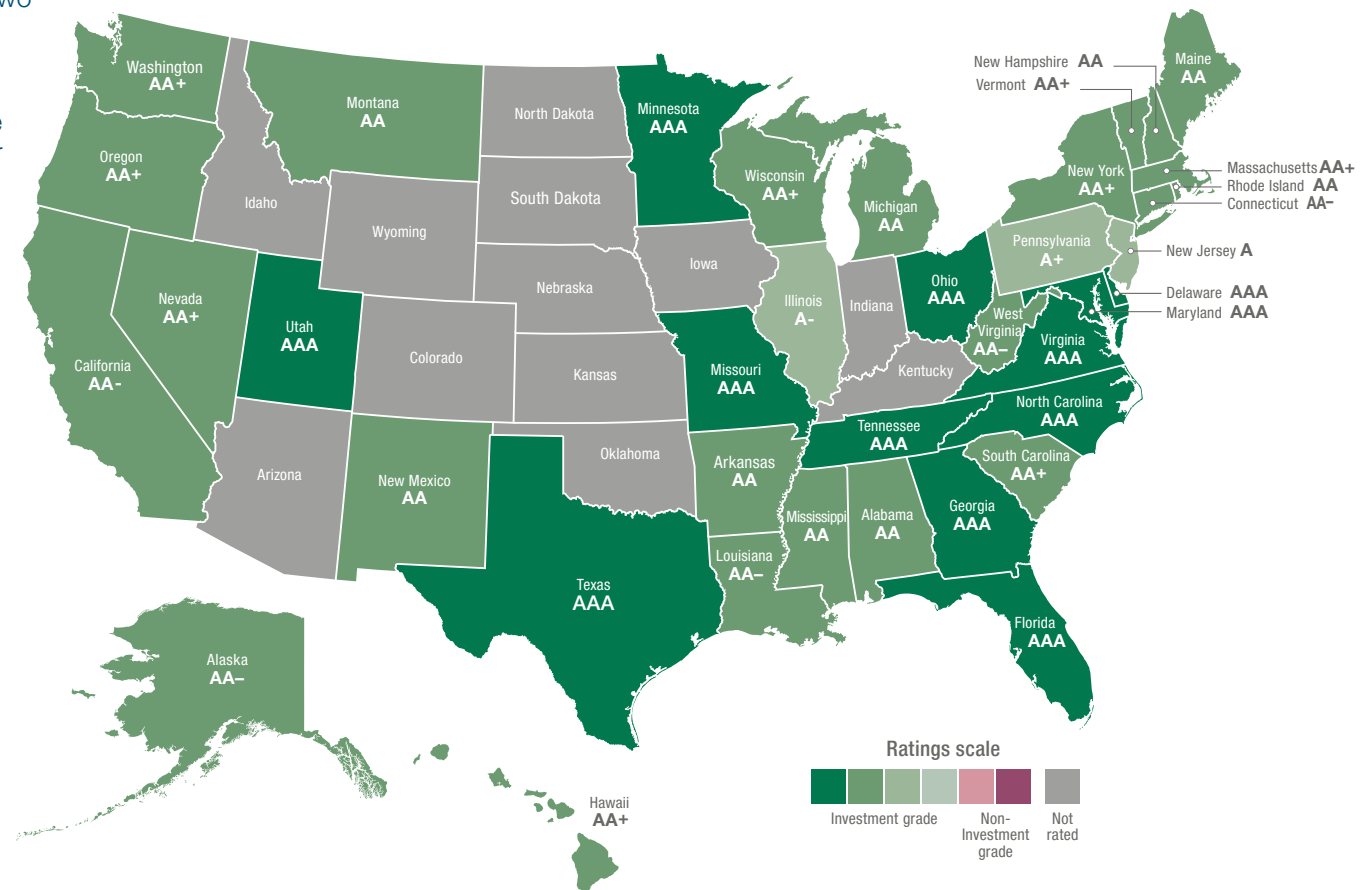




October 2023 State Overviews

As states entered fiscal 2023 after two consecutive years of exceptional growth where revenues exceeded projections, state budgets conservatively forecasted aggregate revenue declines of 3.1 percent over fiscal 2022 levels. However, mid-year revised forecasts suggest only 0.3 percent aggregate annual declines, marking the third consecutive fiscal year of considerable outperformance. When broken into component revenue streams, state tax receipts have had a mixed performance, supported by continued strong consumer activity and the inflationary impact on prices while simultaneously being hindered by slowing income level growth.

Bolstered by consistent revenue outperformance paired with federal stimulus, state governments decided to take advantage of their unique position and enacted a record number of net tax cuts while concurrently strengthening their reserve fund balances. Building on two years of significant tax cuts, states' fiscal 2024 budgets recommended net tax reductions equivalent to a \$13.8 billion decrease in aggregate General Fund revenues, though more than half of this amount is attributable to temporary tax cuts.





October 2023 State Overviews

(Continued)

In conjunction with these tax cuts, states recommended fiscal 2024 General Fund spending slow to reflect only a 2.5 percent increase after growth of 16.8 percent and 12.6 percent in fiscal years 2022 and 2023, respectively. Lastly, states continued to grow their Rainy Day Funds in fiscal 2023, with median balances increasing from 11.5 percent to 12 percent of General Fund spending.

Driven by weak market performance, state pension funded ratios declined across the board in fiscal 2022, though fiscal 2023 ratios are projected to improve as states are reporting investment returns in excess of their assumed rates of return. Regardless of the year-over-year changes brought about by fluctuating market performance, the health of state pension systems has improved substantially since fiscal 2019. According to Equable, the fiscal 2023 average aggregate funded ratio across U.S. public pension plans increased by an estimated 4.6 percentage points over fiscal 2019 levels. While multiple factors are to thank for this improvement, it is worth noting that several states with historically underfunded pensions have begun implementing meaningful changes to their existing funding practices. For example, Illinois has executed a successful and proactive buy-out program for its pensioners, New Jersey diverted revenues from its state lottery directly into its pension system in perpetuity, and Connecticut passed a law to divert excess income tax revenues into both their Rainy Day Fund and their pension systems.

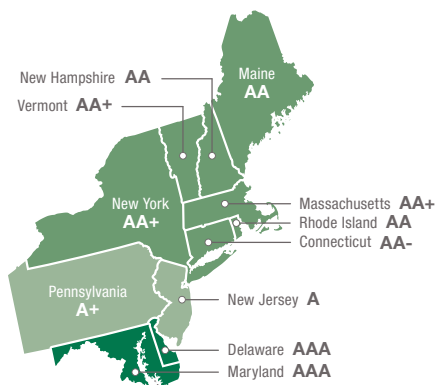
Continuing to impact receipts is the fact that, in response to the Tax Cuts and Jobs Act of 2017, 36 states enacted a pass-through entity tax (PTET) as a way for businesses to realize the full state and local tax (SALT) deduction, effectively transferring the tax liability from the individual to the newly created entity. Due to the unpredictability of PTET enrollment and filing deadline misalignments, some fiscal 2023 personal income tax revenue declines were considerable, and states continue to struggle with accurately projecting future income tax collections. Positively, state sales tax collections through the first half of 2023 increased by 30 percent over the same period in 2019, though much of this was due to a spike in inflation.

In their fiscal 2024 budgets, states continue to demonstrate financial durability through prepaying fixed costs, increasing pension funding and building reserves while conservatively projecting revenues. Many states downsized their General Fund revenue expectations going into fiscal 2024, and most of them bolstered their reserves over the preceding three fiscal years in preparation for future shortfalls. Nationwide, Rainy Day Fund balances are expected to be 101 percent higher at the end of fiscal 2023 compared to the end of fiscal 2020 according to NASBO, leaving states well prepared to absorb declines in tax receipts.

References:

www.spglobal.com/ratings/200803; www.spglobal.com/ratings/230907; www.spglobal.com/ratings/230710; NASBO Spring 2023 Fiscal Survey of States; budgetblog.nasbo.org/blogs; app.fitchconnect.com/RPT10243384; app.fitchconnect.com/PR10240757; www.wsj.com; www.pewtrusts.org; www.urban.org; www.taxpolicycenter.org; www.pewtrusts.org/en/research-and-analysis/articles; www.markovprocesses.com; equable.org/pension-funding-trends-2023/.

North



In the Northeastern region, where many states have a strong reliance on personal income tax collections, governments saw revenues contract in the spring months of 2023 as incomes reported in April tax filings declined year-over-year. Positively, reserve balances have remained at decade-high levels, providing cushion for revenue declines and leading to numerous rating upgrades over the past few years.

- The State of **Connecticut** personal income tax receipts declined by over 7 percent year-over-year after implementing the largest round of tax cuts in state history. The State's General Fund ended fiscal 2023 with a \$746 million balance, marking its fifth consecutive fiscal year-end surplus. After enacting pension practice reforms in fiscal 2018, the State began using surpluses in excess of its budget reserve and revenue volatility caps to make additional contributions to its pension systems, leading to supplemental payments totaling nearly \$8 billion since then. As a result, the pension system's aggregate funded ratio improved by over 11 percent during this period. As a testament to its improved fiscal management, all three major rating agencies upgraded the State's credit rating over the last two years.
- The Commonwealth of **Massachusetts** experienced a sizable 10.5 percent year-over-year decline in personal income tax receipts, with collections coming in 4.7 percent below budget. The Commonwealth's Rainy Day Fund balance surpassed \$8 billion, equivalent to over 20 percent of tax revenue, in fiscal 2023.

This balance is, in part, the result of a policy that requires the Commonwealth to transfer excess capital gains to its Rainy Day Fund. The Commonwealth's fiscal 2024 budget includes tax revenue estimates reflecting 1.6 percent growth in addition to an excess \$1 billion derived from the new Fair Share surtax, which was approved in November 2022.

- The State of **New Jersey** experienced a year-over-year decline in personal income tax revenue of nearly 10 percent. However, because personal income tax receipts are deposited into the Property Tax Relief Fund, General Fund revenues for the fiscal year increased by 1.1 percent over fiscal 2022 levels. The State continues to prioritize fiscal resilience with a combined reserve balance of around \$10 billion, equal to approximately 20 percent of General Fund spending. Over the last two fiscal years, the State defeased \$4.7 billion in debt service payments through fiscal 2042, saving taxpayers \$1.2 billion. In its fiscal 2024 budget, the State plans to make its third consecutive pension payment in excess of the actuarially determined contribution after nearly three decades of failing to do so. Due to its strong fiscal management over the last few budget cycles, all three major rating agencies upgraded the State's credit rating in 2023.
- The State of **New York** whose fiscal year ended March 31st, saw personal income tax revenue decline by 17.5 percent while sales and business tax receipts increased by 7 and 53 percent, respectively, over fiscal 2022 levels. During fiscal 2023, the State accelerated the deposit of \$5.3 billion into its various reserve funds, bringing the combined balance to \$19.5 billion or 16 percent of General Fund spending, reaching the State's reserve target two years ahead of schedule. Positively, the State legislature raised the cap on the Rainy Day Fund balance and Fund contribution level to 25 percent and 15 percent of General Fund spending from 15 percent and 3 percent, respectively.

North (Continued)

- The Commonwealth of **Pennsylvania** saw a relatively low year-over-year decline in personal income tax receipts of under 3 percent, and total General Fund collections came in roughly 3 percent above projections, resulting in a year-end General Fund surplus of \$7.9 billion. The Commonwealth's financial position has improved materially in recent years, as it managed to accumulate over \$5 billion in reserves since fiscal 2020. As a result of the consecutive year-end surpluses and dedication toward building reserves to historic levels, each of the three major rating agencies placed the Commonwealth's credit rating on positive outlook.

State	Ratings (M/S/F) GO Debt Ratings	FY 2023 General Fund Tax Collections YoY % Change	Net Pension Liability FY 2022	Funded Ratio (FY 2022) % of change over FY19	State Tax-Supported Debt Outstanding FY 2022	Debt Services as % of GF Spending FY 2022	Rainy Day Fund Balance FY 2023	RDF Balances % of GF Spending FY 2023
CT	Aa3 / AA- / AA-	Personal Income Tax: \$10.49B (7.4%▼) Sales and Use Tax: \$5.62B (4.7%▲)	\$39.763B	49.5% (11.5%▲)	\$25.739B	14.11%	\$3.343B	15.3%
MA	Aa1 / AA+ / AA+	Personal Income Tax: \$21.78B (10.5%▼) Sales and Use Tax: \$9.40B (7.2%▲)	\$41.257B	64.3% (8.4%▲)	\$41.570B	6.50%	\$8.513B	16.9%
NJ	A1 / A / A+	Personal Income Tax: \$18.02B (9.5%▼) Sales and Use Tax: \$24.97B (1.10%▲)	\$79.743B	45.0% (13.4%▲)	\$32.802B	9.04%	\$1.603B	3.0%
NY*	Aa1 / AA+ / AA+	Personal Income Tax: \$27.607B (17.5%▼) Business Taxes: \$17.856B (6.9%▲)	(\$3.647B)	101.4% (3.5%▲)	\$62.468B	4.49%	\$6.468B	7.0%
PA	Aa3 (Pos) / A+ (Pos) / AA- (Pos)	Personal Income Tax: \$17.63B (2.7%▼) Sales and Use Tax: \$14.02B (0.8%▲)	\$45.692B	61.4% (9.8%▲)	\$18.904B	4.73%	\$5.117B	12.0%

*Fiscal year ended March 31st

References:

portal.ct.gov/DRS-Reports; www.mass.gov/news; cindyfriedman.org; www.nj.gov/treasury/news; www.nj.gov/governor/news; www.njlm.com; www.tax.ny.gov; www.osc.state.ny.us/2023; www.osc.state.ny.us/2022; rsch.baml.com; www.revenue.pa.gov; www.moodys.com; www.budget.pa.gov.

State Profiles (as of 12/31/23)



CONNECTICUT



Capital City
Hartford



Governor
Ned Lamont (D)

Total issuance,
as % of market issuance (YTD)¹ 1.81%

of issuers² 460

Pension funded ratio (2019)³ 44.37%

State GO ratings⁴

Moody's Aa3

S&P AA-

Fitch AA-

Top marginal rates⁵

State level 6.99%

Federal and state combined 43.99%

Tax equivalent yields⁶

2% 3.83%

3% 5.75%

4% 7.66%

5% 9.58%



DELAWARE



Capital City
Dover



Governor
John Carney (D)

Total issuance,
as % of market issuance (YTD)¹ 0.13%

of issuers² 245

Pension funded ratio (2019)³ 83.42%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 6.60%

Federal and state combined 43.60%

Tax equivalent yields⁶

2% 3.80%

3% 5.70%

4% 7.60%

5% 9.51%



MAINE



Capital City
Augusta



Governor
Janet Mills (D)

Total issuance,
as % of market issuance (YTD)¹ 0.29%

of issuers² 367

Pension funded ratio (2019)³ 84.29%

State GO ratings⁴

Moody's Aa2

S&P AA

Fitch —

Top marginal rates⁵

State level 7.15%

Federal and state combined 44.15%

Tax equivalent yields⁶

2% 3.84%

3% 5.76%

4% 7.68%

5% 9.61%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



MARYLAND



Capital City
Annapolis



Governor
Wes Moore (D)

Total issuance,
as % of market issuance (YTD)¹ 1.03%

of issuers² 471

Pension funded ratio (2019)³ 71.57%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 5.75%

Federal and state combined 42.75%

Tax equivalent yields⁶

2% 3.74%

3% 5.61%

4% 7.48%

5% 9.35%



MASSACHUSETTS



Capital City
Boston



Governor
Maura Healey (D)

Total issuance,
as % of market issuance (YTD)¹ 2.77%

of issuers² 912

Pension funded ratio (2019)³ 59.40%

State GO ratings⁴

Moody's Aa1

S&P AA+

Fitch AA+

Top marginal rates⁵

State level 9.00%

Federal and state combined 46.00%

Tax equivalent yields⁶

2% 3.98%

3% 5.98%

4% 7.97%

5% 9.96%



NEW HAMPSHIRE



Capital City
Concord



Governor
Chris Sununu (R)

Total issuance,
as % of market issuance (YTD)¹ 0.44%

of issuers² 303

Pension funded ratio (2019)³ 65.52%

State GO ratings⁴

Moody's Aa1

S&P AA

Fitch AA+

Top marginal rates⁵

State level 4.00%

Federal and state combined 41.00%

Tax equivalent yields⁶

2% 3.62%

3% 5.43%

4% 7.25%

5% 9.06%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



NEW JERSEY



Capital City
Trenton



Governor
Phil Murphy (D)

Total issuance, as % of market issuance (YTD) ¹	3.11%
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# of issuers ²	2,054
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Pension funded ratio (2019) ³	39.73%
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State GO ratings⁴

Moody's	A1
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S&P	A
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Fitch	A+
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Top marginal rates⁵

State level	10.75%
-------------	--------

Federal and state combined	47.75%
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Tax equivalent yields⁶

2%	4.13%
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3%	6.19%
----	-------

4%	8.26%
----	-------

5%	10.32%
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NEW YORK



Capital City
Albany



Governor
Kathy Hochul (D)

Total issuance, as % of market issuance (YTD) ¹	12.66%
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# of issuers ²	3,695
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Pension funded ratio (2019) ³	96.09%
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State GO ratings⁴

Moody's	Aa1
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S&P	AA+
-----	-----

Fitch	AA+
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Top marginal rates⁵

State level	10.90%
-------------	--------

Federal and state combined	47.90%
----------------------------	--------

Tax equivalent yields⁶

2%	4.14%
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3%	6.21%
----	-------

4%	8.28%
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5%	10.35%
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PENNSYLVANIA



Capital City
Harrisburg



Governor
Josh Shapiro (D)

Total issuance, as % of market issuance (YTD) ¹	3.04%
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# of issuers ²	4,339
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Pension funded ratio (2019) ³	58.03%
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State GO ratings⁴

Moody's	Aa3
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S&P	A+
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Fitch	AA
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Top marginal rates⁵

State level	3.07%
-------------	-------

Federal and state combined	40.07%
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Tax equivalent yields⁶

2%	3.56%
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3%	5.34%
----	-------

4%	7.13%
----	-------

5%	8.91%
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1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



RHODE ISLAND



Capital City
Providence



Governor
Daniel McKee (D)

Total issuance, as % of market issuance (YTD) ¹	0.34%
# of issuers ²	183
Pension funded ratio (2019) ³	54.45%
State GO ratings⁴	
Moody's	Aa2
S&P	AA
Fitch	AA
Top marginal rates⁵	
State level	5.99%
Federal and state combined	42.99%
Tax equivalent yields⁶	
2%	3.76%
3%	5.64%
4%	7.52%
5%	9.40%



VERMONT



Capital City
Montpelier



Governor
Phil Scott (R)

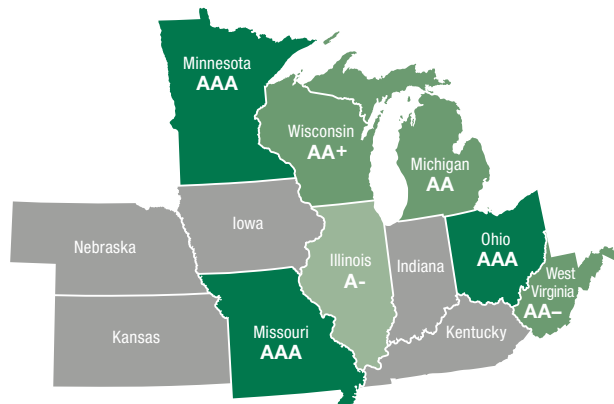
Total issuance, as % of market issuance (YTD) ¹	0.13%
# of issuers ²	116
Pension funded ratio (2019) ³	63.72%
State GO ratings⁴	
Moody's	Aa1
S&P	AA+
Fitch	AA+
Top marginal rates⁵	
State level	8.75%
Federal and state combined	45.75%
Tax equivalent yields⁶	
2%	3.96%
3%	5.95%
4%	7.93%
5%	9.91%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

Central

The pace of receipts in Midwestern states is a mixed bag, with some states seeing tax revenues accelerate in Fiscal 2023,

and some seeing declines. However, even in the cases where revenues declined, they generally outperformed budgeted expectations. Furthermore, Rainy Day Fund balances strengthened in states where they were weak, and remained strong in states that had ample reserves.



► **Illinois'** income tax revenues finished fiscal 2023 lower than the prior year, but due to growth in revenue from other taxes and some interfund transfers, total revenues for the General Fund were still larger than fiscal 2022 by about \$400 million. The State's Rainy Day Fund continues to grow after over \$1 billion in deposits over fiscal 2023. Pension funding is historically the most problematic element of the State's financial picture. Fortunately, Governor J.B. Pritzker has been diligent in addressing the pension system's unfunded liability, and the FY 2024 budget includes supplemental deposits on top of the actuarially required amounts. Consequently, the State has retained its positive outlook from Fitch.

► **Kentucky** similarly saw a decrease in year-over-year income tax receipts for fiscal 2023, but they still greatly outpaced expectations. This was true for most line items of Kentucky's revenue budget, so

by fiscal year-end, it had \$1.4 billion more General Fund revenue than initially expected, which amounts to 10.2 percent of the revenue forecast. The state continues to deposit most of its surpluses into the Rainy Day Fund, which is absolutely soaring; it now contains 33.7 percent of annual General Fund expenditures. This, along with four years' worth of very fast growth in revenues, was the main factor in credit upgrades it received from Fitch (AA- to AA) and S&P (A to A+) in May and June, respectively.

- **Michigan's** most recent figures suggest the State would end FY 2023 with a surplus of \$7.4 billion. This windfall has inspired the creation of a new School Aid Rainy Day Fund and supplemental deposits in the Public School Employees' Retirement System of \$500 million, and has triggered an automatic income tax cut from 4.25 percent to 4.05 percent.
- **Ohio** was one of a handful of large states that saw a year-over-year increase (0.4 percent) in income tax revenues in FY 2023. Its other revenue streams were even stronger, and Ohio used them to bolster the Rainy Day Fund with contributions of \$727 million and to replace borrowing. Managing this liability will prove helpful, as FY 2022 pension fund reports show a decline in the funded ratio since fiscal 2019, which was due to very poor investment performance last year.
- **Wisconsin** also received higher income tax revenues last fiscal year (2.0 percent year-over-year growth), plus it also benefitted from extremely strong sales tax revenue growth (7.1 percent). Given that the state has experienced very strong growth, especially in income tax receipts, for several years now, its legislature has repeatedly attempted to pass major tax cuts, though none have been approved by Governor Tony Evers.

Central (Continued)

State	Ratings (M/S/F) GO Debt Ratings	FY 2023 General Fund Tax Collections YoY % Change	Net Pension Liability FY 2022	Funded Ratio (FY 2022) % of change over FY19	State Tax-Supported Debt Outstanding FY 2022	Debt Services as % of GF Spending FY 2022	Rainy Day Fund Balance FY 2023	RDF Balances % of GF Spending FY 2023
IL	A3 / A- / BBB+ (Pos)	Personal Income Tax: \$23.8B (4.4% ▼) Sales Tax: \$7.8B (2.1% ▲)	\$144.247B	42.6% (3.7% ▲)	\$35.103B	6.2%	\$2.064B	4.1%
KY	A1 / A+ / AA- -Appropriation, cannot issue GO debt -Upgraded by S&P, Fitch	Personal Income Tax: \$5.8B (3.4% ▼) Sales Tax: \$5.6B (10.1% ▲)	\$28.973B	46.5% (2.3% ▲)	\$5.226B	2.6%	\$4.800B	33.7%
MI*	Aa1 / AA / AA+	Personal Income Tax: \$10.1B (16.9% ▼) Sales Tax: \$8.9B (0.3% ▼)	\$20.367B	62.1% (1.0% ▲)	\$6.857B	0.8%	\$1.997B	13.3%
OH	Aa1 (Pos) / AA+ / AAA	Personal Income Tax: \$10.8B (0.4% ▲) Sales Tax: \$13.5B (3.5% ▲)	\$6.588B	77.4% (3.7% ▼)	\$10.532B	4.6%	\$3.525B	10.3%
WI**	Aa1 / AA+ / AA+	Personal Income Tax: \$9.4B (2.0% ▲) Sales Tax: \$7.5B (7.1% ▲)	(\$2.297B)	106.0% (9.5% ▲)	\$12.238B	5.5%	\$1.734B	8.8%

*Fiscal year ended September 30th, collections shows are year-to-date as of August 31st.

**Rainy Day Fund Figures based on fiscal year 2022 balance.

References:

budget.illinois.gov/; cgfa.ilga.gov/; budget.illinois.gov/fy2024-budget-book/; finance.ky.gov/; bonds.ky.gov/documents/649925; bonds.ky.gov/documents/675109; bonds.ky.gov/documents/701234; www.fitchratings.com/; www.michigan.gov/; www.house.mi.gov/; apnews.com/article/; www.michigan.gov/budget/; www.moodys.com/research/; go.tiffinohio.net/.

State Profiles (as of 12/31/23)



ILLINOIS



Capital City
Springfield



Governor
J.B. Pritzker (D)

Total issuance, as % of market issuance (YTD) ¹	3.56%
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# of issuers ²	4,773
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Pension funded ratio (2019) ³	38.92%
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State GO ratings⁴

Moody's	A3
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S&P	A-
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Fitch	A-
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Top marginal rates⁵

State level	4.95%
-------------	-------

Federal and state combined	41.95%
----------------------------	--------

Tax equivalent yields⁶

2%	3.69%
----	-------

3%	5.53%
----	-------

4%	7.37%
----	-------

5%	9.22%
----	-------



INDIANA



Capital City
Indianapolis



Governor
Eric Holcomb (R)

Total issuance, as % of market issuance (YTD) ¹	1.78%
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# of issuers ²	4,156
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Pension funded ratio (2019) ³	68.60%
--	--------

State GO ratings⁴

Moody's	—
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S&P	—
-----	---

Fitch	—
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Top marginal rates⁵

State level	3.15%
-------------	-------

Federal and state combined	40.15%
----------------------------	--------

Tax equivalent yields⁶

2%	3.57%
----	-------

3%	5.35%
----	-------

4%	7.14%
----	-------

5%	8.92%
----	-------



IOWA



Capital City
Des Moines



Governor
Kim Reynolds (R)

Total issuance, as % of market issuance (YTD) ¹	0.67%
---	-------

# of issuers ²	2,606
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Pension funded ratio (2019) ³	85.36%
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State GO ratings⁴

Moody's	—
---------	---

S&P	—
-----	---

Fitch	—
-------	---

Top marginal rates⁵

State level	6.00%
-------------	-------

Federal and state combined	43.00%
----------------------------	--------

Tax equivalent yields⁶

2%	3.76%
----	-------

3%	5.64%
----	-------

4%	7.52%
----	-------

5%	9.40%
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1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



KANSAS



Capital City
Topeka



Governor
Laura Kelly (D)

Total issuance,
as % of market issuance (YTD)¹ 0.52%

of issuers² 2,312

Pension funded ratio (2019)³ 69.88%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 5.70%

Federal and state combined 42.70%

Tax equivalent yields⁶

2% 3.74%

3% 5.61%

4% 7.48%

5% 9.35%



KENTUCKY



Capital City
Frankfort



Governor
Andy Beshear (D)

Total issuance,
as % of market issuance (YTD)¹ 0.97%

of issuers² 2,002

Pension funded ratio (2019)³ 44.64%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 4.50%

Federal and state combined 41.50%

Tax equivalent yields⁶

2% 3.66%

3% 5.48%

4% 7.31%

5% 9.14%



MICHIGAN



Capital City
Lansing



Governor
Gretchen Whitmer (D)

Total issuance,
as % of market issuance (YTD)¹ 2.17%

of issuers² 3,723

Pension funded ratio (2019)³ 61.09%

State GO ratings⁴

Moody's Aa1

S&P AA

Fitch AA+

Top marginal rates⁵

State level 4.25%

Federal and state combined 41.25%

Tax equivalent yields⁶

2% 3.64%

3% 5.46%

4% 7.28%

5% 9.10%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



MINNESOTA



Capital City
St. Paul



Governor
Tim Walz (D)

Total issuance,
as % of market issuance (YTD)¹ 1.81%

of issuers² 3,681

Pension funded ratio (2019)³ 82.23%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 9.85%

Federal and state combined 46.85%

Tax equivalent yields⁶

2% 4.05%

3% 6.08%

4% 8.11%

5% 10.13%



MISSOURI



Capital City
Jefferson City



Governor
Mike Parson (R)

Total issuance,
as % of market issuance (YTD)¹ 1.12%

of issuers² 3,732

Pension funded ratio (2019)³ 77.78%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 4.95%

Federal and state combined 41.95%

Tax equivalent yields⁶

2% 3.69%

3% 5.53%

4% 7.37%

5% 9.22%



NEBRASKA



Capital City
Lincoln



Governor
Jim Pillen (R)

Total issuance,
as % of market issuance (YTD)¹ 0.67%

of issuers² 2,568

Pension funded ratio (2019)³ 93.15%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 6.64%

Federal and state combined 43.64%

Tax equivalent yields⁶

2% 3.81%

3% 5.71%

4% 7.61%

5% 9.51%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



OHIO



Capital City
Columbus



Governor
Mike DeWine (R)

Total issuance,
as % of market issuance (YTD)¹ 1.86%

of issuers² 3,481

Pension funded ratio (2019)³ 79.99%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 3.99%

Federal and state combined 40.99%

Tax equivalent yields⁶

2% 3.62%

3% 5.43%

4% 7.25%

5% 9.06%



WEST VIRGINIA



Capital City
Charleston



Governor
Jim Justice (R)

Total issuance,
as % of market issuance (YTD)¹ 0.38%

of issuers² 731

Pension funded ratio (2019)³ 83.37%

State GO ratings⁴

Moody's Aa2

S&P AA-

Fitch AA

Top marginal rates⁵

State level 6.50%

Federal and state combined 43.50%

Tax equivalent yields⁶

2% 3.80%

3% 5.69%

4% 7.59%

5% 9.49%



WISCONSIN



Capital City
Madison



Governor
Tony Evers (D)

Total issuance,
as % of market issuance (YTD)¹ 2.24%

of issuers² 3,016

Pension funded ratio (2019)³ 102.96%

State GO ratings⁴

Moody's Aa1

S&P AA+

Fitch AA+

Top marginal rates⁵

State level 7.65%

Federal and state combined 44.65%

Tax equivalent yields⁶

2% 3.88%

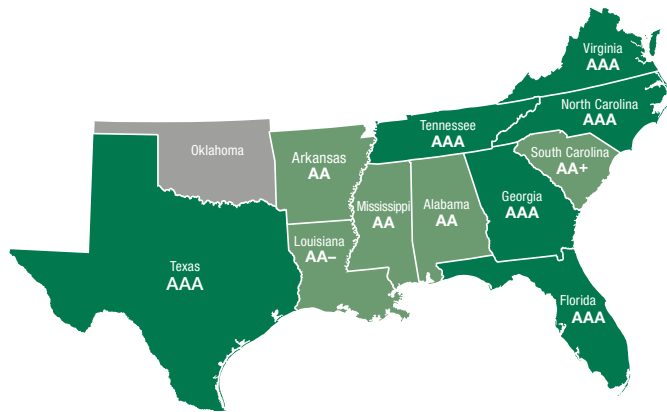
3% 5.82%

4% 7.76%

5% 9.70%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

South



- The State of **Florida's** General Fund collections were 7.5 percent higher year-over-year in fiscal 2023, with performance drivers including sales and corporate income tax growth of 5.2 and 46.7 percent, respectively. As a result, the State closed fiscal 2023 with a \$13.7 billion General Fund surplus and \$3.14 billion Rainy Day Fund

balance, approaching the statutory maximum balance of 10 percent of net General Fund revenue. The State's fiscal 2024 budget assumes General Fund revenue growth of 7.7 percent and provides residents with \$2.7 billion in tax relief for the budget year, including permanent sales tax exemption for

childcare products. The budget additionally includes 5 percent raises for State employees and a \$1 billion surplus transfer into its reserve fund, bringing the balance to \$4.14 billion.

- The State of **Georgia's** fiscal 2023 General Fund revenue remained relatively unchanged year-over-year as sales tax revenue growth offset declines in personal income tax receipts. The State's Rainy Day Fund has been funded at its statutory maximum of 15 percent of General Fund revenue since fiscal 2021. While the State has \$5.2 billion in reserves, it also has an additional \$7 billion in unrestricted General Fund revenue, providing a significant liquidity cushion as combined reserves are equivalent to roughly 40 percent of General Fund spending. The fiscal 2024 budget assumes 1.1 percent revenue growth year-over-year and includes \$3 billion in one-time tax rebates

across income tax refunds, property tax relief grants and a gas tax suspension. Additionally, the State passed various personal income tax cuts that will go into effect at the start of calendar year 2024, incrementally transitioning from the 5.75 percent graduated rate to a flat 4.99 percent rate, assuming certain revenue and reserve thresholds are met.

- For the last six fiscal years, **Louisiana's** revenues outperformed projections, resulting in a General Fund surplus – fiscal 2023 was no exception. The State's major tax receipts grew 7 percent year-over-year, driven by personal income and sales tax growth of 1 and 3 percent, respectively. The State entered fiscal 2023 with roughly \$1.8 billion in combined reserves and closed the year with over \$2 billion, equivalent to nearly 20 percent of General Fund spending. The State's fiscal 2024 budget conservatively assumes a 3 percent decline in General Fund revenue while funding salary increases for teachers and retiring outstanding debt.
- In the State of **Texas**, whose fiscal year ends August 31st, General Fund tax receipts grew by 6 percent over fiscal 2022 levels, driven by a large increase in sales tax revenue. This comes after a 26 percent increase in revenue during the fiscal 2022 budget cycle. Because of the strong revenue performance, the State was able to make a sizable deposit into its Rainy Day Fund, bringing the balance to \$13.7 billion or nearly a fifth of General Fund spending. In addition to this, \$6 billion in excess oil and gas tax revenues will be transferred into the Rainy Day Fund during the current biennium. In the State's fiscal 2024-2025 biennial budget, appropriations increased by 10.5 percent over the previous budget. After the passage of the current budget, State lawmakers approved a historic property tax reduction bill that would add over \$13 billion in tax relief, which is expected to be approved by voters this November.

South (Continued)

State	Ratings (M/S/F) GO Debt Ratings	FY 2023 General Fund Tax Collections YoY % Change	Net Pension Liability FY 2022	Funded Ratio (FY 2022) % of change over FY19	State Tax-Supported Debt Outstanding FY 2022	Debt Services as % of GF Spending FY 2022	Rainy Day Fund Balance FY 2023	RDF Balances % of GF Spending FY 2023
FL	Aaa / AAA / AAA	Sales Tax: \$35.80B (5.2%▲) Corporate Income Tax: \$5.52B (46.7▲)	\$7.481B	79.1% (1.2%▲)	\$13.492B	4.70%	\$3.140B	5.8%
GA	Aaa / AAA / AAA	Personal Income Tax: \$16.97B (7.2%▼) Sales and Use Tax: \$9.01B (8.4%▲)	\$12.258B	72.2 (8.0%▼)	\$10.778B	5.57%	\$5.200B	16.8%
LA	Aa2 / AA- (Pos) / AA-	Personal Income Tax: \$4.56B (1.0%▲) Sales and Use Tax: \$4.49B (3.0%▲)	\$7.026B	69.8% (3.6%▲)	\$7.225B	4.96%	\$722M	6.3%
TX*	Aaa / AAA / AAA	Sales Tax: \$42.18B (8.6%▲) Oil Production Tax: \$5.93B (6.8%▼)	(\$55.071B	74.5% (8.0%▲)	\$10.134B	2.65%	\$13.717B	18.5%

*Fiscal year ended August 31st

References:

edr.state.fl.us; edr.state.fl.us/newsletters; www.flgov.com; dor.georgia.gov; www.moodys.com; www.treasury.la.gov; checkbook.la.gov; comptroller.texas.gov.

State Profiles (as of 12/31/23)



ALABAMA



Capital City
Montgomery



Governor
Kay Ivey (R)

Total issuance, as % of market issuance (YTD) ¹	1.62%
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# of issuers ²	2,208
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Pension funded ratio (2019) ³	69.38%
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State GO ratings⁴

Moody's	Aa1
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S&P	AA
-----	----

Fitch	AA+
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Top marginal rates⁵

State level	5.00%
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Federal and state combined	42.00%
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Tax equivalent yields⁶

2%	3.69%
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3%	5.54%
----	-------

4%	7.38%
----	-------

5%	9.23%
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ARKANSAS



Capital City
Little Rock



Governor
Sarah H Sanders (R)

Total issuance, as % of market issuance (YTD) ¹	0.49%
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# of issuers ²	1,604
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Pension funded ratio (2019) ³	79.99%
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State GO ratings⁴

Moody's	Aa1
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S&P	AA
-----	----

Fitch	—
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Top marginal rates⁵

State level	4.90%
-------------	-------

Federal and state combined	41.90%
----------------------------	--------

Tax equivalent yields⁶

2%	3.68%
----	-------

3%	5.52%
----	-------

4%	7.37%
----	-------

5%	9.21%
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FLORIDA



Capital City
Tallahassee



Governor
Ron DeSantis (R)

Total issuance, as % of market issuance (YTD) ¹	3.36%
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# of issuers ²	3,978
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Pension funded ratio (2019) ³	78.22%
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State GO ratings⁴

Moody's	Aaa
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S&P	AAA
-----	-----

Fitch	AAA
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Top marginal rates⁵

State level	0.00%
-------------	-------

Federal and state combined	37.00%
----------------------------	--------

Tax equivalent yields⁶

2%	3.38%
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3%	5.07%
----	-------

4%	6.76%
----	-------

5%	8.45%
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1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



GEORGIA



Capital City
Atlanta



Governor
Brian Kemp (R)

Total issuance, as % of market issuance (YTD) ¹	2.61%
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# of issuers ²	2,045
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Pension funded ratio (2019) ³	78.68%
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State GO ratings⁴

Moody's	Aaa
---------	-----

S&P	AAA
-----	-----

Fitch	AAA
-------	-----

Top marginal rates⁵

State level	5.75%
-------------	-------

Federal and state combined	42.75%
----------------------------	--------

Tax equivalent yields⁶

2%	3.74%
----	-------

3%	5.61%
----	-------

4%	7.48%
----	-------

5%	9.35%
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LOUISIANA



Capital City
Baton Rouge



Governor
John Bel Edwards (D)

Total issuance, as % of market issuance (YTD) ¹	1.27%
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# of issuers ²	1,756
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Pension funded ratio (2019) ³	66.91%
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State GO ratings⁴

Moody's	Aa2
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S&P	AA-
-----	-----

Fitch	AA-
-------	-----

Top marginal rates⁵

State level	4.25%
-------------	-------

Federal and state combined	41.25%
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Tax equivalent yields⁶

2%	3.64%
----	-------

3%	5.46%
----	-------

4%	7.28%
----	-------

5%	9.10%
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MISSISSIPPI



Capital City
Jackson



Governor
Tate Reeves (R)

Total issuance, as % of market issuance (YTD) ¹	0.12%
---	-------

# of issuers ²	1,316
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Pension funded ratio (2019) ³	61.67%
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State GO ratings⁴

Moody's	Aa2
---------	-----

S&P	AA
-----	----

Fitch	AA
-------	----

Top marginal rates⁵

State level	5.00%
-------------	-------

Federal and state combined	42.00%
----------------------------	--------

Tax equivalent yields⁶

2%	3.69%
----	-------

3%	5.54%
----	-------

4%	7.38%
----	-------

5%	9.23%
----	-------

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



NORTH CAROLINA



Capital City
Raleigh



Governor
Roy Cooper (D)

Total issuance,
as % of market issuance (YTD)¹ 1.23%

of issuers² 1,107

Pension funded ratio (2019)³ 88.45%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 4.75%

Federal and state combined 41.75%

Tax equivalent yields⁶

2% 3.67%

3% 5.51%

4% 7.35%

5% 9.18%



OKLAHOMA



Capital City
Oklahoma City



Governor
Kevin Stitt (R)

Total issuance,
as % of market issuance (YTD)¹ 0.91%

of issuers² 1,742

Pension funded ratio (2019)³ 80.73%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 4.75%

Federal and state combined 41.75%

Tax equivalent yields⁶

2% 3.67%

3% 5.51%

4% 7.35%

5% 9.18%



SOUTH CAROLINA



Capital City
Columbia



Governor
Henry McMaster (R)

Total issuance,
as % of market issuance (YTD)¹ 1.49%

of issuers² 891

Pension funded ratio (2019)³ 55.39%

State GO ratings⁴

Moody's Aaa

S&P AA+

Fitch AAA

Top marginal rates⁵

State level 6.50%

Federal and state combined 43.50%

Tax equivalent yields⁶

2% 3.80%

3% 5.69%

4% 7.59%

5% 9.49%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



TENNESSEE



Capital City
Nashville



Governor
Bill Lee (R)

Total issuance,
as % of market issuance (YTD)¹ 1.27%

of issuers² 1,372

Pension funded ratio (2019)³ 98.24%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 0.00%

Federal and state combined 37.00%

Tax equivalent yields⁶

2% 3.38%

3% 5.07%

4% 6.76%

5% 8.45%



TEXAS



Capital City
Austin



Governor
Greg Abbott (R)

Total issuance,
as % of market issuance (YTD)¹ 14.84%

of issuers² 7,205

Pension funded ratio (2019)³ 69.02%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 0.00%

Federal and state combined 37.00%

Tax equivalent yields⁶

2% 3.38%

3% 5.07%

4% 6.76%

5% 8.45%



VIRGINIA



Capital City
Richmond



Governor
Glenn Youngkin (R)

Total issuance,
as % of market issuance (YTD)¹ 1.98%

of issuers² 1,255

Pension funded ratio (2019)³ 77.21%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 5.75%

Federal and state combined 42.75%

Tax equivalent yields⁶

2% 3.74%

3% 5.61%

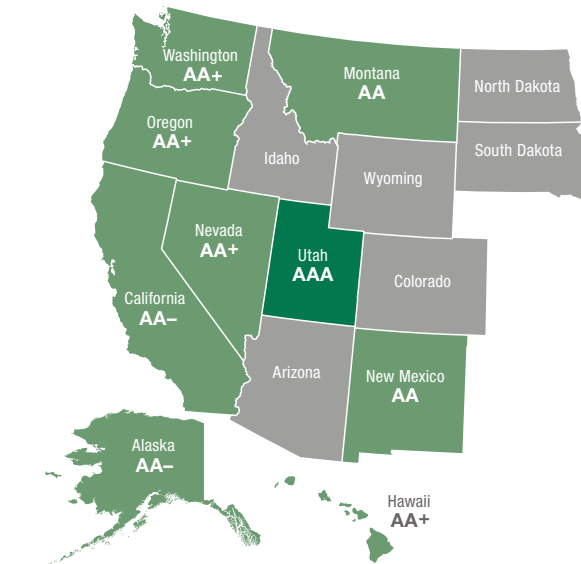
4% 7.48%

5% 9.35%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

West

The drop in income tax receipts for Western States between fiscal 2022 and fiscal 2023 was dramatic, though the total revenues are still materially higher than pre-pandemic levels.



► **Arizona's** personal income tax collections dropped 30.4 percent year-over-year, thanks to a combination of lower taxable incomes and a lower income tax rate (it was cut to a flat 2.5 percent for calendar year 2023, from a progressive schedule topping out at 4.5 percent). Sales tax receipts, which are the largest revenue source for the state budget, increased 6.5 percent year-over-year. This was not quite enough to prevent total tax receipts for the year from underwhelming the original budgeted forecast, by \$184 million or 1.2 percent, but Arizona was able to comfortably make up the difference with transfers into the General Fund.

► **California's** \$94.7 billion in income tax collections for fiscal 2023 were 34.1 percent below the year prior, stemming from an extension of the tax filing deadline from April to October and from much lower capital gains realizations. By the end of fiscal 2023, General Fund revenues were shy of expectations by \$14.6 billion, which reset forecasts for

fiscal 2024 and thereby contributed to a \$31.5 billion shortfall in this year's budget. When the state passed that budget in June, it cured the shortfall with \$9.3 billion in fund shifts (covering General Fund expenditures with other funds), \$8.1 billion in cuts and clawbacks, \$7.9 billion in funding delays, \$6.1 billion in new revenues or borrowing, and other small measures. In doing this, the state passed an even larger total budget for this fiscal year than for fiscal 2023. Notably, they were able to cover the shortfall without drawing down their Rainy Day fund, which was therefore able to enter fiscal 2024 with a massive \$35.8 billion balance.

► **Colorado** also depends heavily on income tax receipts and was not immune to the underperformance. Though the State did forecast a decline in net individual income tax revenue between FY 2022 and FY 2023 of 5.1 percent, the ultimate result was a decline of 13.4 percent. Fortunately, the outperformance of sales tax and corporate income tax revenues more than made up for this gap, leading to a General Fund surplus for the year. This was well above the statutory cap on revenues that the state is allowed to retain, called "TABOR," so Colorado taxpayers will once again be due refunds.

► **Hawaii's** 17.6 percent year-over-year decline in net income taxes was due in part to a one-time tax refund enacted by the State just before the start of the fiscal year, and that revenue reduction was compounded by lower capital gains realizations. However, sales tax collections, which are a larger source of revenue for the State, were a very strong 10.8 percent higher in fiscal 2023. The state's finances are in good position after it increased Rainy Day reserves as a percent of General Fund expenditures from 9.1 percent to 13.5 percent.

West (Continued)

State	Ratings (M/S/F) GO Debt Ratings	FY 2023 General Fund Tax Collections YoY % Change	Net Pension Liability FY 2022	Funded Ratio (FY 2022) % of change over FY19	State Tax-Supported Debt Outstanding FY 2022	Debt Services as % of GF Spending FY 2022	Rainy Day Fund Balance FY 2023	RDF Balances % of GF Spending FY 2023
AZ	Aa2 / AA- / NR -Appropriation, cannot issue GO debt	Personal Income Tax: \$5.2B (30.4% ▼) Sales Tax: \$7.7B (6.5% ▲)	\$5.727B	71.9% (0.9% ▲)	\$2.325B	0.8%	\$1.697B	9.9%
CA	Aa2 / AA- (Pos) / AA	Personal Income Tax: \$94.7B (34.1% ▼) Sales Tax: \$33.2B (1.3% ▲)	\$90.626B	77.6% (6.8% ▲)	\$80.973B	3.5%	\$35.577B	15.9%
CO	Aa2 / AA- / NR -Appropriation, cannot issue GO debt	Personal Income Tax: \$10.3B (13.4% ▼) Sales Tax: \$4.6B (7.3% ▲)	\$12.346B	61.5% (5.1% ▲)	\$4.355B	2.0%	\$2.174B	12.8%
HI	Aa 2 / AA+ / AA	Personal Income Tax: \$3.1B (17.6% ▼) Sales Tax: \$4.4B (10.8% ▲)	\$7.352B	62.8% (7.9% ▲)	\$9.289B	12.8%	\$1.502B	13.5%

References:

www.azjbc.gov; azcapitoltimes.com; ebudget.ca.gov/2022-23; ebudget.ca.gov/2023-24; dof.ca.gov; cdor.colorado.gov; leg.colorado.gov; lookerstudio.google.com/reporting; files.hawaii.gov/2023gf05-15; files.hawaii.gov/2023gf09-07.

State Profiles (as of 12/31/23)



ALASKA



Capital City
Juneau



Governor
Mike Dunleavy (R)

Total issuance,
as % of market issuance (YTD)¹ 0.14%

of issuers² 150

Pension funded ratio (2019)³ 67.36%

State GO ratings⁴

Moody's Aa3

S&P AA-

Fitch A+

Top marginal rates⁵

State level 0.00%

Federal and state combined 37.00%

Tax equivalent yields⁶

2% 3.38%

3% 5.07%

4% 6.76%

5% 8.45%



ARIZONA



Capital City
Phoenix



Governor
Katie Hobbs (D)

Total issuance,
as % of market issuance (YTD)¹ 1.33%

of issuers² 1,384

Pension funded ratio (2019)³ 65.16%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 2.50%

Federal and state combined 39.50%

Tax equivalent yields⁶

2% 3.53%

3% 5.29%

4% 7.05%

5% 8.82%



CALIFORNIA



Capital City
Sacramento



Governor
Gavin Newsom (D)

Total issuance,
as % of market issuance (YTD)¹ 14.25%

of issuers² 9,273

Pension funded ratio (2019)³ 71.93%

State GO ratings⁴

Moody's Aa2

S&P AA-

Fitch AA

Top marginal rates⁵

State level 13.30%

Federal and state combined 50.30%

Tax equivalent yields⁶

2% 4.36%

3% 6.54%

4% 8.71%

5% 10.89%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



COLORADO



Capital City
Denver



Governor
Jared Polis (D)

Total issuance,
as % of market issuance (YTD)¹ 1.68%

of issuers² 2,964

Pension funded ratio (2019)³ 66.46%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 4.40%

Federal and state combined 41.40%

Tax equivalent yields⁶

2% 3.65%

3% 5.47%

4% 7.30%

5% 9.12%



HAWAII



Capital City
Honolulu



Governor
Josh Green (D)

Total issuance,
as % of market issuance (YTD)¹ 0.42%

of issuers² 71

Pension funded ratio (2019)³ 54.87%

State GO ratings⁴

Moody's Aa2

S&P AA+

Fitch AA

Top marginal rates⁵

State level 11.00%

Federal and state combined 48.00%

Tax equivalent yields⁶

2% 4.15%

3% 6.22%

4% 8.30%

5% 10.37%



IDAHO



Capital City
Boise



Governor
Brad Little (R)

Total issuance,
as % of market issuance (YTD)¹ 0.30%

of issuers² 536

Pension funded ratio (2019)³ 94.58%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 5.80%

Federal and state combined 42.80%

Tax equivalent yields⁶

2% 3.75%

3% 5.62%

4% 7.49%

5% 9.36%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



MONTANA



Capital City
Helena



Governor
Greg Gianforte (R)

Total issuance,
as % of market issuance (YTD)¹ 0.14%

of issuers² 801

Pension funded ratio (2019)³ 72.50%

State GO ratings⁴

Moody's Aa1

S&P AA

Fitch AA+

Top marginal rates⁵

State level 6.75%

Federal and state combined 43.75%

Tax equivalent yields⁶

2% 3.81%

3% 5.72%

4% 7.63%

5% 9.53%



NEVADA



Capital City
Carson City



Governor
Joe Lombardo (R)

Total issuance,
as % of market issuance (YTD)¹ 0.67%

of issuers² 277

Pension funded ratio (2019)³ 76.46%

State GO ratings⁴

Moody's Aa1

S&P AA+

Fitch AA+

Top marginal rates⁵

State level 0.00%

Federal and state combined 37.00%

Tax equivalent yields⁶

2% 3.38%

3% 5.07%

4% 6.76%

5% 8.45%



NEW MEXICO



Capital City
Santa Fe



Governor
**Michelle Lujan
Grisham (D)**

Total issuance,
as % of market issuance (YTD)¹ 0.39%

of issuers² 661

Pension funded ratio (2019)³ 67.32%

State GO ratings⁴

Moody's Aa2

S&P AA

Fitch —

Top marginal rates⁵

State level 5.90%

Federal and state combined 42.90%

Tax equivalent yields⁶

2% 3.75%

3% 5.63%

4% 7.50%

5% 9.38%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



NORTH DAKOTA



Capital City
Bismarck



Governor
Doug Burgum (R)

Total issuance,
as % of market issuance (YTD)¹ 0.23%

of issuers² 878

Pension funded ratio (2019)³ 69.84%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 2.90%

Federal and state combined 39.90%

Tax equivalent yields⁶

2% 3.55%

3% 5.33%

4% 7.10%

5% 8.88%



OREGON



Capital City
Salem



Governor
Tina Kotek (D)

Total issuance,
as % of market issuance (YTD)¹ 1.35%

of issuers² 1,220

Pension funded ratio (2019)³ 80.23%

State GO ratings⁴

Moody's Aa1

S&P AA+

Fitch AA+

Top marginal rates⁵

State level 9.90%

Federal and state combined 46.90%

Tax equivalent yields⁶

2% 4.06%

3% 6.09%

4% 8.11%

5% 10.14%



SOUTH DAKOTA



Capital City
Pierre



Governor
Kristi Noem (R)

Total issuance,
as % of market issuance (YTD)¹ 0.20%

of issuers² 588

Pension funded ratio (2019)³ 100.09%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 0.00%

Federal and state combined 37.00%

Tax equivalent yields⁶

2% 3.38%

3% 5.07%

4% 6.76%

5% 8.45%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2022) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

State Profiles (as of 12/31/23)



UTAH



Capital City
Salt Lake City



Governor
Spencer Cox (R)

Total issuance,
as % of market issuance (YTD)¹ 0.91%

of issuers² 900

Pension funded ratio (2019)³ 91.67%

State GO ratings⁴

Moody's Aaa

S&P AAA

Fitch AAA

Top marginal rates⁵

State level 4.85%

Federal and state combined 41.85%

Tax equivalent yields⁶

2% 3.68%

3% 5.52%

4% 7.36%

5% 9.20%



WASHINGTON



Capital City
Olympia



Governor
Jay Inslee (D)

Total issuance,
as % of market issuance (YTD)¹ 2.20%

of issuers² 1,848

Pension funded ratio (2019)³ 96.34%

State GO ratings⁴

Moody's Aaa

S&P AA+

Fitch AA+

Top marginal rates⁵

State level 7.00%

Federal and state combined 44.00%

Tax equivalent yields⁶

2% 3.83%

3% 5.75%

4% 7.66%

5% 9.58%



WYOMING



Capital City
Cheyenne



Governor
Mark Gordon (R)

Total issuance,
as % of market issuance (YTD)¹ 0.07%

of issuers² 312

Pension funded ratio (2019)³ 76.54%

State GO ratings⁴

Moody's —

S&P —

Fitch —

Top marginal rates⁵

State level 0.00%

Federal and state combined 37.00%

Tax equivalent yields⁶

2% 3.38%

3% 5.07%

4% 6.76%

5% 8.45%

1. Bloomberg, December 2023. 2. Electronic Municipal Market Access (EMMA), December 2023. 3. PEW, 2019. 4. Bloomberg, January 2024. 5. Tax Foundation, March 2023. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2023) and the 3.8% Medicare surcharge. Tax treatment of Fund distributions vary; investors should consult a tax advisor with respect to the tax implications of an investment in a Fund that invests in tax-exempt securities.

ABOUT RISK

All investments are subject to market risk and will fluctuate in value.

A portion of a municipal fund's income may be subject to state and local taxes or the Alternative Minimum Tax. Investments in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner. High-yield securities (commonly referred to as "junk bonds") are generally considered speculative because they present a greater risk of loss than higher-quality debt securities and may be subject to greater price volatility. High-yield municipal bonds may be subject to increased liquidity risk, as compared to other high-yield debt securities. Municipal securities risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities. Such uncertainties could cause increased volatility in the municipal securities market. Securities that are liquid at the time of purchase may subsequently become illiquid, due to events relating to the issuer of the securities, market events, economic conditions, or investor perceptions. The views and opinions expressed herein are solely those of the MacKay Municipal Managers™ team of MacKay Shields and are subject to change.

Neither New York Life Investment Management LLC, nor its affiliates or representatives provide tax, legal or accounting advice. Please contact your own professionals. Bloomberg Municipal Bond Index is considered representative of the broad market for investment-grade, tax-exempt bonds with a maturity of at least one year. High Yield Municipal Bond Blended Index consists of the Bloomberg High Yield Municipal Bond Index and the Bloomberg Municipal Bond Index weighted 60%/40% respectively which is believed to be a fair representation of the MainStay MacKay High Yield Municipal Bond I Fund's guidelines. Bloomberg New York Municipal Bond Index is a market value-weighted index of New York investment-grade, tax-exempt, fixed-rate municipal bonds with maturities of one year or more. Bloomberg California Municipal Bond Index is a market value-weighted index of California investment-grade, tax-exempt, fixed-rate municipal bonds with maturities of one year or more. Bloomberg 3-Year Municipal Bond Index is considered representative of the broad market for investment-grade tax-exempt bonds with a maturity range of 2-4 years. Index results assume the reinvestment of all capital gain and dividend distributions.

DEFINITIONS

Active management is the use of a human element, such as a single manager, co-managers or a team of managers, to actively manage a fund's portfolio. Active management strategies typically have higher fees than passive management. **Distribution yield** is the ratio of all the distributions a fund paid in the past 12 months divided by the current share price of the fund. **Muni Treasury ratio** is computed by dividing a given municipal bond's yield by the yield on a comparable maturity Treasury security. The yield ratio curve is an array of ratios for given maturities, typically 1 to 30 years. **Alpha** measures a fund's risk-adjusted performance and is expressed as an annualized percentage. **Credit spread** reflects the difference in yield between a treasury and corporate bond of the same maturity. **Duration** is a measure of the sensitivity of the price of a bond to a change in interest rates. **Interest rate risk** is the potential that a change in overall interest rates will reduce the value of a bond. **Modified Duration** is inversely related to the approximate percentage change in price for a given change in yield. **Duration to Worst** is the duration of a bond, computed using the bond's nearest call date or maturity, whichever comes first. This measure ignores future cash flow fluctuations due to embedded optionality. **Standard deviation** measures how widely dispersed returns have been over a specific period of time. A high standard deviation indicates that the range is wide, implying greater potential for volatility. **Spread** widening means that the difference between two bonds is increasing. **Yield to worst** is a measure of the lowest possible yield that can be received on a bond that fully operates within the terms of its contract without defaulting. The yield-to-worst metric is used to evaluate the worst-case scenario for yield at the earliest allowable retirement date. **Coupon returns** refer to the annual interest provided by a bond. **Price returns** refer to returns generated by investments due to changes in price over a period of time. **MTD returns** refer to returns generated on monthly basis. **Credit ratings:** Moody's rates borrowers on a scale from Aaa through C. Aaa through Baa3 represent investment grade, while Ba1 through C represent non-investment grade. Standard & Poor's rates borrowers on a scale from AAA to D. AAA through BBB represent investment grade, while BB through D represent non-investment grade. Fitch rates borrowers on a scale from AAA to D. AAA to BBB represent investment grade, while BB through D represent non-investment grade. **Bloomberg U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities. **Bloomberg U.S. Corporate High Yield Index** represents the universe of fixed rate, non-investment grade debt. **Bloomberg Municipal Bond Index** is considered representative of the broad market for

investment-grade, tax-exempt bonds with a maturity of at least one year. Bonds subject to the alternative minimum tax or with floating or zero coupons are excluded. **Bloomberg High Yield Municipal Index** is an unmanaged index of municipal bonds with the following characteristics: fixed coupon rate, credit rating of Ba1 or lower or non-rated using the middle rating of Moody's, S&P, and Fitch, outstanding par value of at least \$3 million, and issued as part of a transaction of at least \$20 million. In addition, the bonds must have a dated-date after December 31, 1990 and must be at least one year from their maturity date. The **Bloomberg 5-10 Year Taxable Municipal Bond Index** is the 5-10 year component of the Bloomberg Taxable Municipal Bond Index. The **Bloomberg Taxable Municipal Bond Index** is a rules-based, marker-value-weighted index engineered for the long-term taxable bond market. Index results assume the reinvestment of all capital gain and dividend distributions. The **Bloomberg U.S. Treasury Index** measures the public obligations of the US Treasury with a remaining maturity of one year or more. Must be a US Treasury security. Must have at least \$300 million par amount outstanding. Must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. Must be fixed rate. Must be dollar-denominated and non-convertible. **Bloomberg U.S. Corporate Investment Grade Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. **Bloomberg Asset Backed Securities Index** is a subset of the Bloomberg U.S. Aggregate Bond Index and tracks asset-backed securities with maturities of at least one year. **Bloomberg U.S. MBS Index** measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA, and FHLMC. **Bloomberg AAA-, AA-, A-, and BBB-Rated Municipal Bond Indexes** are sub-indexes of the Bloomberg Municipal Bond Index. **ICE BofA U.S. Corporate Index** tracks the performance of U.S. dollar-denominated investment-grade corporate debt publicly issued in the U.S. domestic market. **ICE BofA U.S. Taxable Municipal Securities Plus Index** tracks the performance of U.S. dollar denominated taxable municipal debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. **ICE BofA Broad U.S. Taxable Municipal Securities Index** tracks the performance of U.S. dollar denominated debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market.

For more information about MainStay Funds®, call 888-474-7725 for a prospectus or summary prospectus. Investors are asked to consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus or summary prospectus contains this and other information about the investment company. Please read the prospectus or summary prospectus carefully before investing.

For more information
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