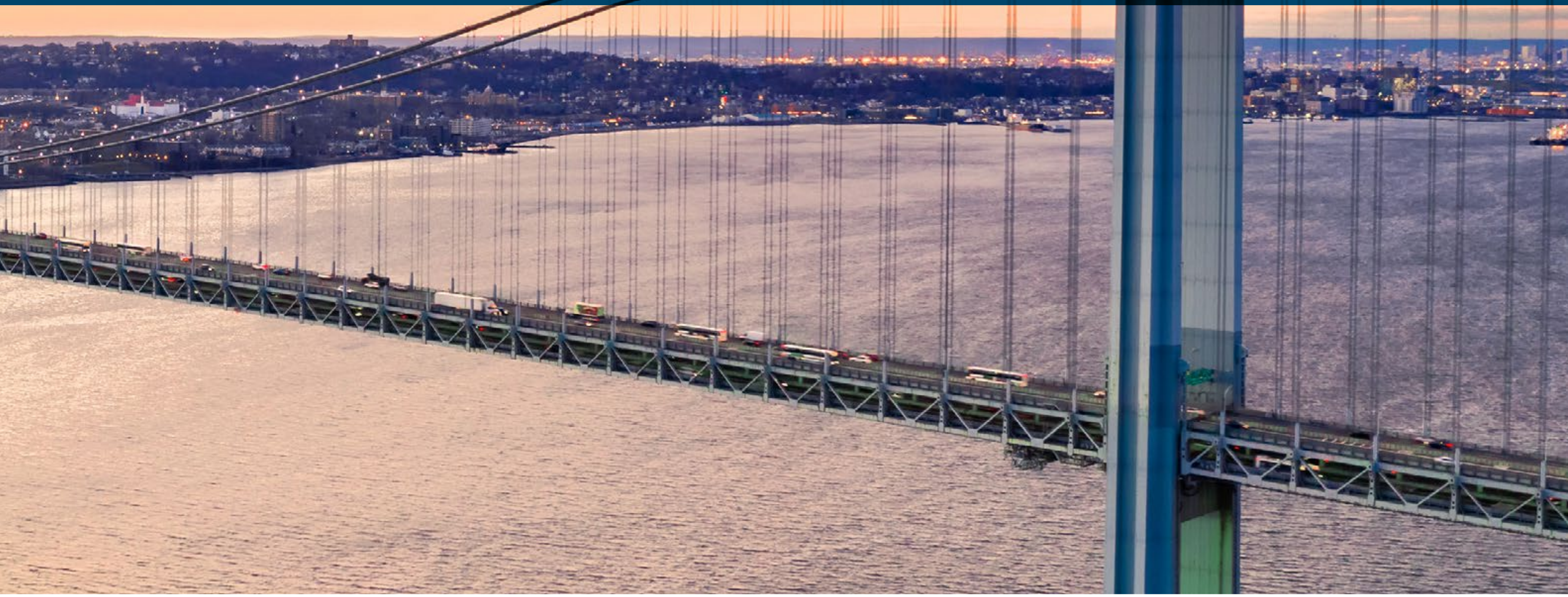
Muni 360

The comprehensive view of the municipal bond market.

MacKay Municipal Managers.™ The minds behind munis.



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THE MUNI360 PODCAST

Top 5 Municipal Bond Market Insights for 2025

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

2025: The old normal is back. Prepare for it with meaningful municipal allocation.

At MacKay Municipal Managers, we believe 2025 will be a year of getting "back to normal" for the municipal market. We expect the market to provide, for the first time in several years, an orderly atmosphere leading to investor confidence while still offering compelling tax-equivalent yields. This return to normalcy arrives at a fortuitous moment. After the rapid expansion of other asset classes over recent years, much of the investor community finds itself underexposed to the municipal market; household investments in municipals declined by 2% compared to five years ago while their investments in Treasuries and equities are up 75% and 87% respectively.[1] As a result, it is our view that the investor community is now in need of reallocation into municipals in order to take advantage of historically higher tax-exempt yields.

This team will pursue channels that are likely to be overlooked by a market fixated on the robust new issuance pipeline[2] by:

- Allocating core investments to borrowers who, in our view are emerging successfully from the era of pandemic aid;
- Using research-driven judiciousness to buy with conviction in the high yield market; and
- Reallocating cash into the shorter segment of the yield curve where we see opportunity for better performance

These are the best ways, in our view, to gainfully embrace this "new normal" market.

Top 5 Municipal Market Insights for 2025

1 Traditional tax-exemption persists, and we believe it's as attractive as ever

As the federal government battles a budget deficit, some think the traditional tax exemption of municipal bond income could become a casualty. But at a 2024 cost of just $33 billion,[3] it is a small line item compared to the $1.8 trillion deficit. Noise around this question will persist, but given the exemption's entrenched support in Washington and its purpose toward financing America's $3.7 trillion deficiency in infrastructure investment,[4] we believe that Congress will determine the usefulness of the exemption far outweighs its cost. With the continuation of this benefit, our opinion is that the investor community has an opportunity to correct their underweight exposure to municipals. The current market offers attractive tax-equivalent yields, which can act as a ballast to portfolios against risk assets such as equities, while capitalizing on a buyers' market stemming from a projected surplus of issuance.[5]

2 Capitalizing on the supply wave will require seizing initiative in multiple ways

Many forecasters[6] have insisted that record levels of new bond issuance in 2024 appear likely to continue in 2025, especially in the first half of the year as the future of tax-exempt interest generates noise in federal budget negotiations. We agree with these issuance forecasts and welcome such a scenario because we expect that an especially heavy calendar of new deals would garner investor attention and cashflow. This would potentially leave esoteric deals, private offerings, and secondary market inefficiencies to fly under the radar. We believe, active and flexible investment managers have the opportunity to explore certain advantages in this environment by using those overlooked opportunities to allocate to favored credits and sectors, but doing so will require creativity and diligence. Managers who do not purposefully tread outside the well-beaten paths, even if they are equipped to do so, may not reap the same rewards.

3 Selection comes to the fore of the investment-grade market

We believe, state and local governments will return to a more normal budget environment as federal aid winds down. It is our view that this will create a bifurcation between municipal borrowers which spent that money prudently, and those which will face financial headwinds. We expect state and local political and fiscal tensions to resume in this environment, creating volatility and potential opportunity. As the pace of rating upgrades is likely to slow, identifying opportunities will require a depth of experience, thorough understanding of borrower financials, and relationships with issuer management teams in order to separate the wheat from the chaff. We believe that research-driven active managers will achieve that understanding before the average investor and will be able to allocate capital accordingly. We see this as an opportunity for alpha. Additionally, we anticipate favorable performance arising from the prepaid gas and housing sectors. In 2024, both sectors saw spreads widen to between +100 bps to +140 bps over the AAA scale[7] due primarily to technical factors. We expect those technical factors to continue in 2025, which would provide an attractive pair of areas for allocation.

4 The high yield market is likely to outperform investment grades again, despite historically tight spreads

While we expect certain issuers to face inflection points in their credit cycles, the overall quality of the high yield sector at large remains strong thanks to the health-giving effects of economic growth. At the same time, below-investment grade debt has received a meager share of the boom in new municipal bond supply. These two trends have combined to squeeze high yield spreads down to some of their lowest historical levels.[8] While this spread compression leaves less room for outperformance, we expect the strong credit fundamentals to continue and new issue supply to remain dominated by investment-grade issuers. We believe this should keep a lid on high yield spreads in 2025 and allow the sector to benefit from yield-driven outperformance. When allocating into this strength, it is our view that managers must use a research-driven approach to avoid the temptation of reaching for poorly secured deals with far greater risk, which has enticed some investors in the past but is counterproductive to long-term returns.

5 The front end of the municipal yield curve should outperform cash-like instruments

As the Federal Reserve considers normalizing its interest rate policy through cuts to the Federal Funds rate, the savings deposits and money market funds in which American households are currently holding $14 trillion[9] may not be able to offer the incomes they produced in 2023 and 2024. This applies to both taxable and tax-exempt products. Yet, we believe reallocating those assets from cash products into bonds does not necessarily require adding undue risk. Returns from short-term municipal bond funds are generally much less sensitive to changes in interest rates than long-duration products while still offering the same tax-exemption and high credit quality. We believe short municipal funds will outperform cash products this year, and investors may wish to consider rotating into those funds early enough to outpace what could be a large wave of demand.

1, 9. According to Federal Reserve data, as of December 2024.
2, 5, 6. According to Lerner, J. Threats to tax-exemption the X factor in 2025 issuance projections, Bond Buyer, as of December 2024.
3. Estimated by the Joint Committee on Taxation, as of December 2023.
4. According to the American Society of Civil Engineers' Report Card for America's Infrastructure, as of May 2024.
7, 8. According to Municipal Market Data (MMD), as of December 2024.

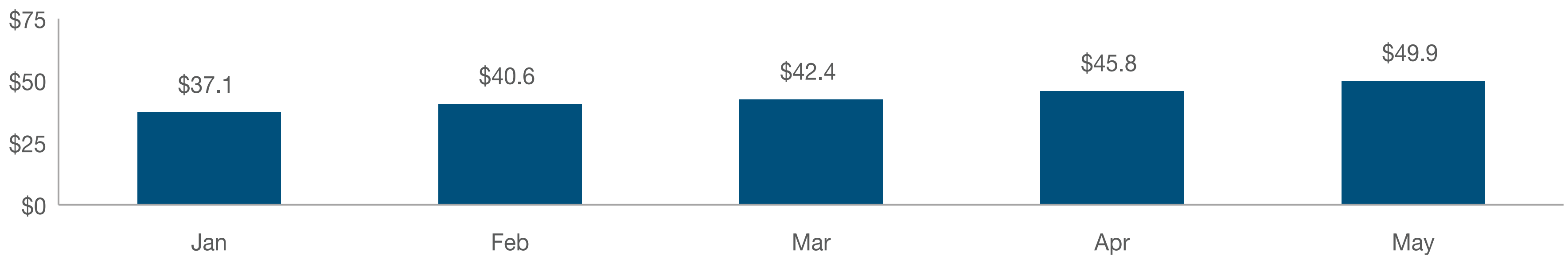
Municipal Market Monthly Update

TECHNICAL BACKDROP

SUPPLY:

- Muni issuance in May totaled $50 billion, up 9% month-over-month and up 5% year-over-year, with net issuance at $24 billion.
- Year-to-Date gross and net issuance through month-end was +216 billion and +$104 billion, respectively.

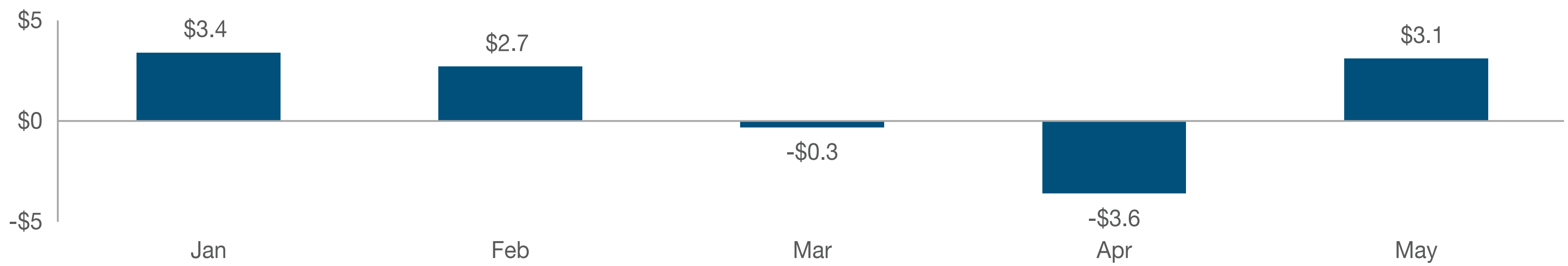
2025 Monthly Gross Issuance ($B)



DEMAND:

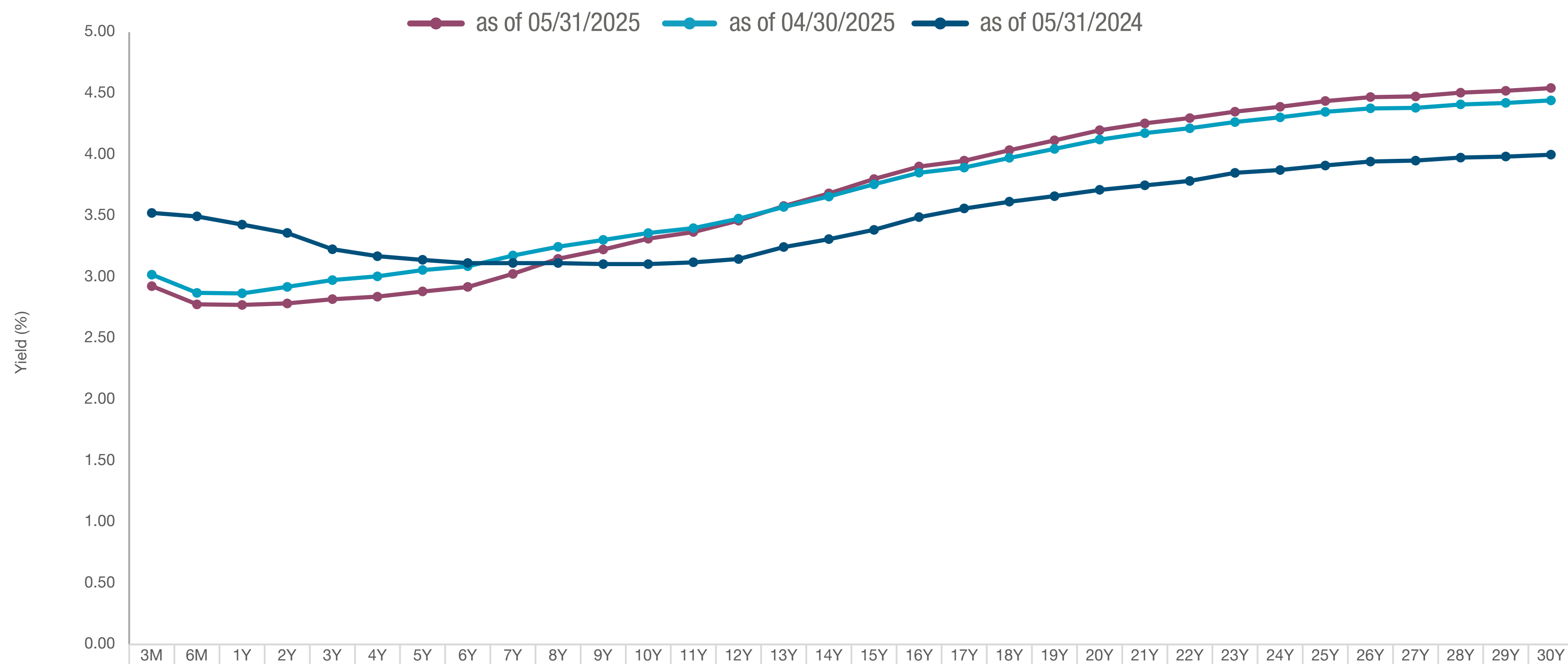
- Muni flows were positive in May, with outflows averaging about $0.8 billion per week.

2025 Monthly Municipal Fund Flows ($B)



Source: SIFMA, Bloomberg, Barclays Research and Refinitiv., as of 05/31/25.

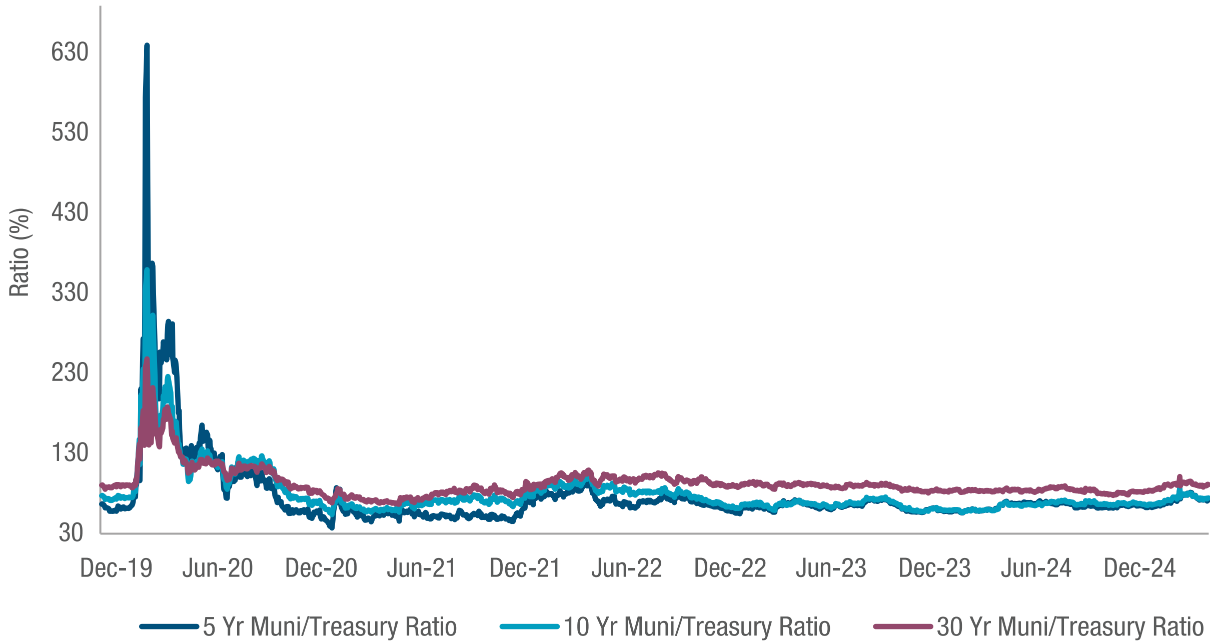
AAA-Rated Municipal Yield Curve (%)



	3M	6M	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y	11Y	12Y	13Y	14Y	15Y	16Y	17Y	18Y	19Y	20Y	21Y	22Y	23Y	24Y	25Y	26Y	27Y	28Y	29Y	30Y
As of 05/31/25	2.93	2.78	2.77	2.79	2.82	2.84	2.88	2.92	3.03	3.15	3.23	3.31	3.37	3.46	3.58	3.68	3.80	3.90	3.95	4.04	4.12	4.20	4.26	4.30	4.35	4.39	4.44	4.47	4.48	4.51	4.52	4.54
As of 04/30/25	3.02	2.87	2.87	2.92	2.98	3.01	3.06	3.09	3.18	3.25	3.30	3.36	3.40	3.48	3.57	3.66	3.76	3.85	3.89	3.97	4.05	4.12	4.18	4.22	4.27	4.30	4.35	4.38	4.38	4.41	4.42	4.44
As of 05/31/24	3.52	3.50	3.43	3.36	3.23	3.17	3.14	3.11	3.11	3.11	3.11	3.11	3.12	3.15	3.25	3.31	3.39	3.49	3.56	3.62	3.66	3.71	3.75	3.79	3.85	3.87	3.91	3.94	3.95	3.98	3.98	4.00

Source: Bloomberg, as of 05/31/25. 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.

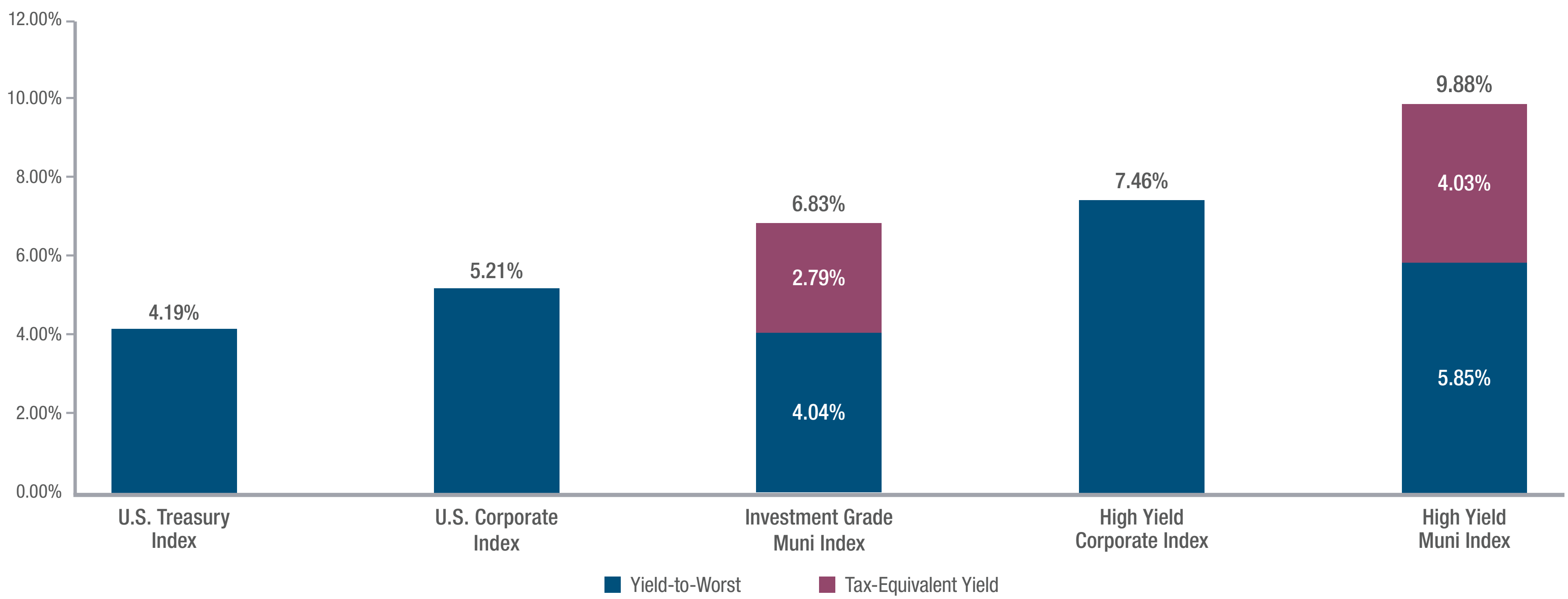
AAA-Rated Municipal/Treasury Yield Ratio (%)



Tenor	Muni/Treasury Ratio	Trailing 5-Yr Median
5 Yr	73%	66%
10 Yr	75%	70%
30 Yr	92%	89%

Source: Bloomberg, as of 05/31/25. 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.

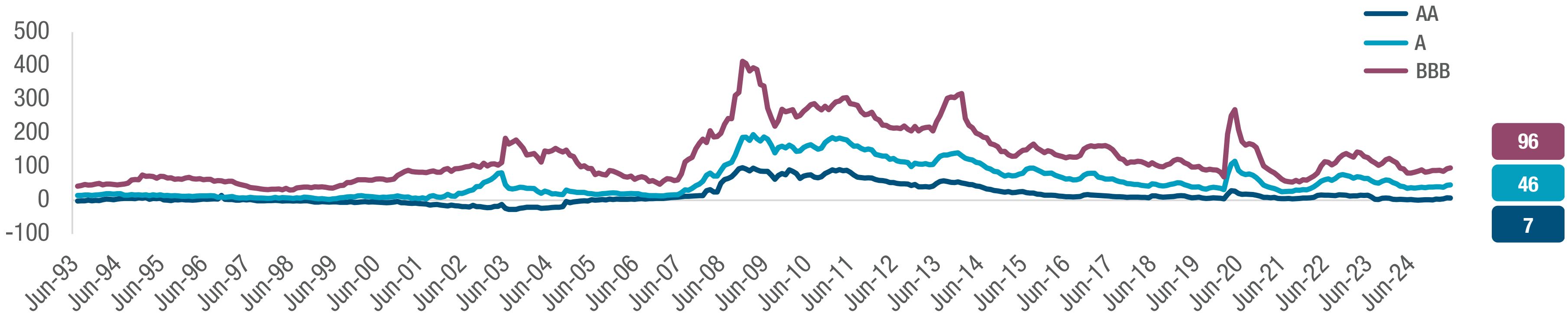
May 2025 Tax-Equivalent Yields



Source: Bloomberg, as of 05/31/25. 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 05/31/25. 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 May 31, 2025

	Number Issues	Price Return	Coupon Return	MTD Total Return	Past 3m	Past 6m	Year-to-Date	Past 12m
Municipal Bond Index	61,963	-0.31	0.37	0.06	-2.42	-2.40	-0.96	2.03
1 Year (1-2)	3,471	0.10	0.37	0.48	0.41	1.33	1.36	3.72
3 Year (2-4)	6,648	0.35	0.37	0.72	0.21	0.99	1.35	4.16
5 Year (4-6)	6,481	0.58	0.37	0.95	-0.16	0.60	1.35	4.44
7 Year (6-8)	6,406	0.63	0.37	1.00	-0.74	0.09	1.07	4.24
10 Year (8-12)	12,463	0.28	0.36	0.64	-1.81	-1.01	0.17	2.97
15 Year (12-17)	12,221	-0.45	0.36	-0.09	-3.30	-3.20	-1.51	1.26
20 Year (17-22)	7,342	-1.22	0.38	-0.84	-4.41	-5.08	-3.13	0.05
Long Bond (22+)	6,931	-1.38	0.39	-0.98	-4.68	-6.07	-3.67	-0.35

MTD: Month to Date, Source: Bloomberg, as of 05/31/25. 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

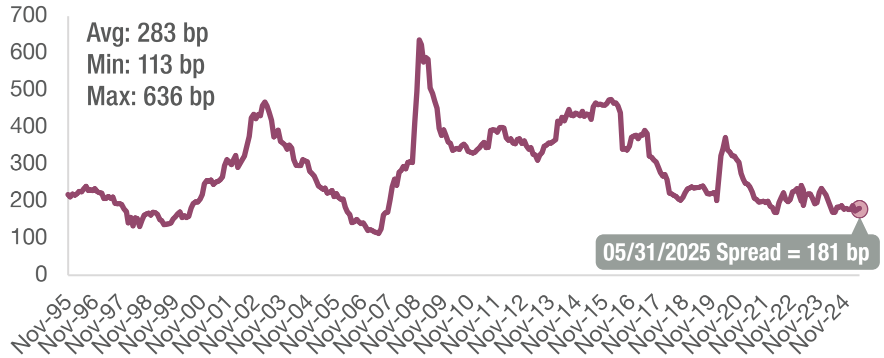
May 2025	(%)
IDR/PCR	0.56
Tobacco	0.37
Resource Recovery	0.26
Housing	0.26
Leasing	0.18
Electric	0.17
Transportation	0.04
Education	-0.04
Water & Sewer	-0.05
Special Tax	-0.14
Hospital	-0.29

Year-to-Date 2025	(%)
IDR/PCR	0.58
Housing	0.39
Tobacco	-0.05
Transportation	-0.92
Water & Sewer	-1.13
Leasing	-1.15
Electric	-1.32
Education	-1.33
Special Tax	-1.42
Resource Recovery	-1.48
Hospital	-2.02

Source: Bloomberg, as of 05/31/25. 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.

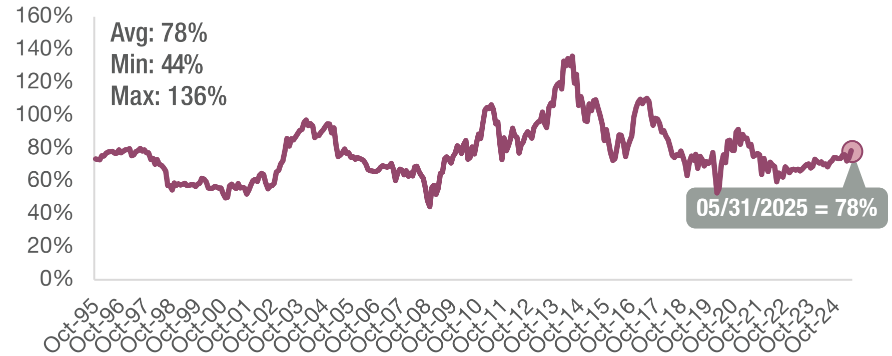
High Yield Municipal Market Spreads & Performance

High Yield Municipal Index Yields Minus Investment Grade Municipal Index Yields



Source: Bloomberg, as of 05/31/25. 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 05/31/25. 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 May 31, 2025

	Number Issues	Price Return	Coupon Return	MTD Total Return	Past 3m	Past 6m	Year-to-Date	Past 12m
High Yield Muni	5,576	-0.35	0.41	0.07	-2.87	-2.56	-0.91	3.64
High Yield Muni Ex-Puerto Rico	5,439	-0.39	0.43	0.05	-2.54	-2.22	-0.59	4.48
High Yield Muni Puerto Rico	66	-0.13	0.31	0.17	-4.75	-4.54	-2.80	-0.84

MTD: Month to Date, Source: Bloomberg, as of 05/31/25. 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

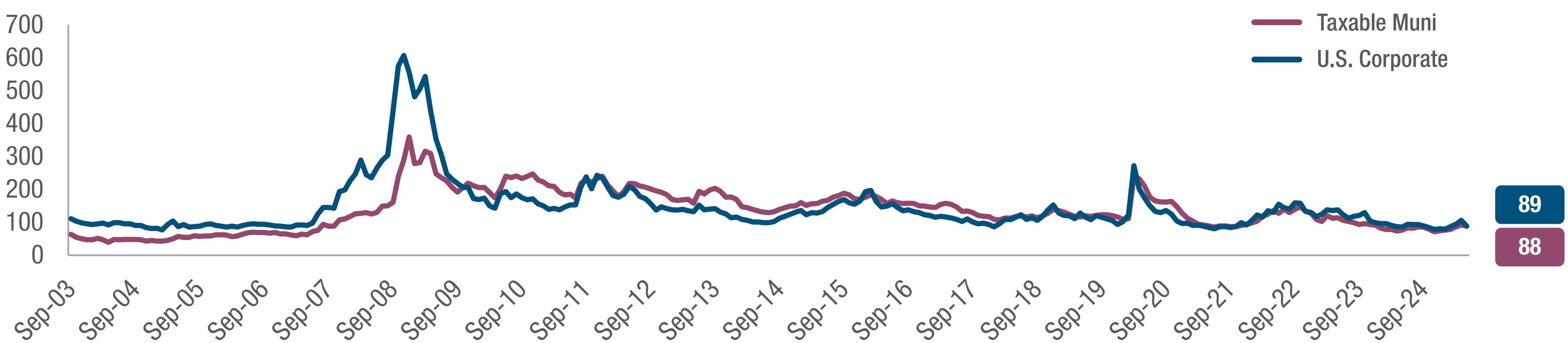
May 2025	(%)
Transportation	0.86
Leasing	0.59
IDR/PCR	0.33
Water & Sewer	0.23
HY Tobacco	0.05
Housing	0.00
Resource Recovery	0.00
Special Tax	-0.10
Education	-0.16
Hospital	-0.32
Electric	-0.49

Year-to-Date 2025	(%)
Leasing	0.60
Transportation	0.44
Resource Recovery	0.00
Hospital	-0.56
Electric	-0.63
IDR/PCR	-0.76
Special Tax	-1.16
Housing	-1.22
HY Tobacco	-1.24
Education	-1.56
Water & Sewer	-1.98

Source: Bloomberg, as of 05/31/25. 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 05/31/25. 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 May 31, 2025

	Number Issues	Price Return	Coupon Return	MTD Total Return	Past 3m	Past 6m	Year-to-Date	Past 12m
Taxable Muni	9,105	-1.61	0.37	-1.23	-1.64	-0.86	1.64	4.40

MTD: Month to Date, Source: Bloomberg, as of 05/31/25. 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

	May 2025 (%)	Year-to-Date 2025 (%)
Pollution Control	0.73	3.20
Pre-Refunded	-0.08	2.88
ETM	-0.61	2.26
GO - State	-0.79	2.70
Leasing COPS & Appropriations	-0.80	1.42
Misc	-0.85	1.91
GO - Local	-0.86	2.03
Tax	-0.92	2.22
Power	-1.06	1.30
Tobacco	-1.12	0.37
Utilities - Other	-1.13	2.12

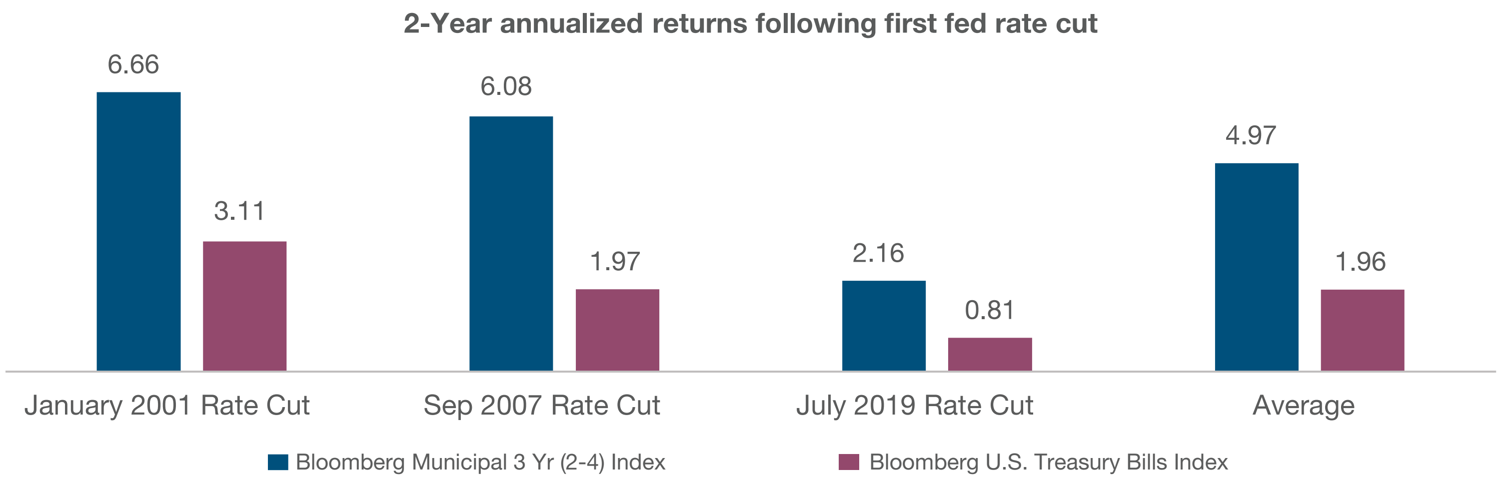
	May 2025 (%)	Year-to-Date 2025 (%)
Airport	-1.29	1.01
Hospitals	-1.34	0.92
Transportation	-1.34	1.55
Single Family Housing	-1.36	2.71
Water & Sewer	-1.39	1.93
Industrial Development Revenue	-1.46	1.59
Multi-Family Housing	-1.65	2.40
Education	-1.69	0.68
Health	-1.70	0.37
Toll & Turnpike	-1.97	1.06

Source: ICE Indices, as of 05/31/25. 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.

Short Term Muni Opportunity

The Federal Reserve is expected to continue reducing interest rates through 2025, creating reinvestment risk for cash-equivalents like money market funds and Treasury bills. To manage this risk, investors may want to consider short-term municipal bonds.

- **Historically strong performance:** Short term municipal bonds have historically outperformed Treasury bills when comparing the forward annualized 2-year returns after the last three rate cut cycles. This performance comparison was even stronger when considering the benefits of muni tax exemption.



Source: Bloomberg as of 12/31/2024. Short term municipal bonds are represented by Bloomberg Municipal 3 Yr (2-4) Index; Treasury bills are represented by Bloomberg US Treasury Bills Index. Past performance is no guarantee of future results. Index performance is for illustrative purposes only and does not represent actual Fund performance. It is not possible to invest directly in an 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.

Dislocations Lead to Opportunities

In this episode, **Chris Roberti** is joined by **Scott Sprauer**, Senior Portfolio Manager at MacKay Municipal Managers, to explore the evolving dynamics in the municipal market. The conversation covers the growing appeal of high-quality, high-yield munis, the impact of constrained supply, and how investors are shifting duration strategies in anticipation of rate cuts. Chris and Scott dig into key themes driving the market, including tax-aware investing, spread compression, credit fundamentals, and the importance of nimble, active management in today's environment. With thoughtful commentary on the macro backdrop, and practical insights for portfolio positioning, this episode is essential listening for anyone navigating the muni landscape.

Scott Sprauer,
Portfolio Manager and Trader
MacKay Municipal Managers

Chris Roberti,
Managing Director and Chief Marketing Officer
MacKay Municipal Managers

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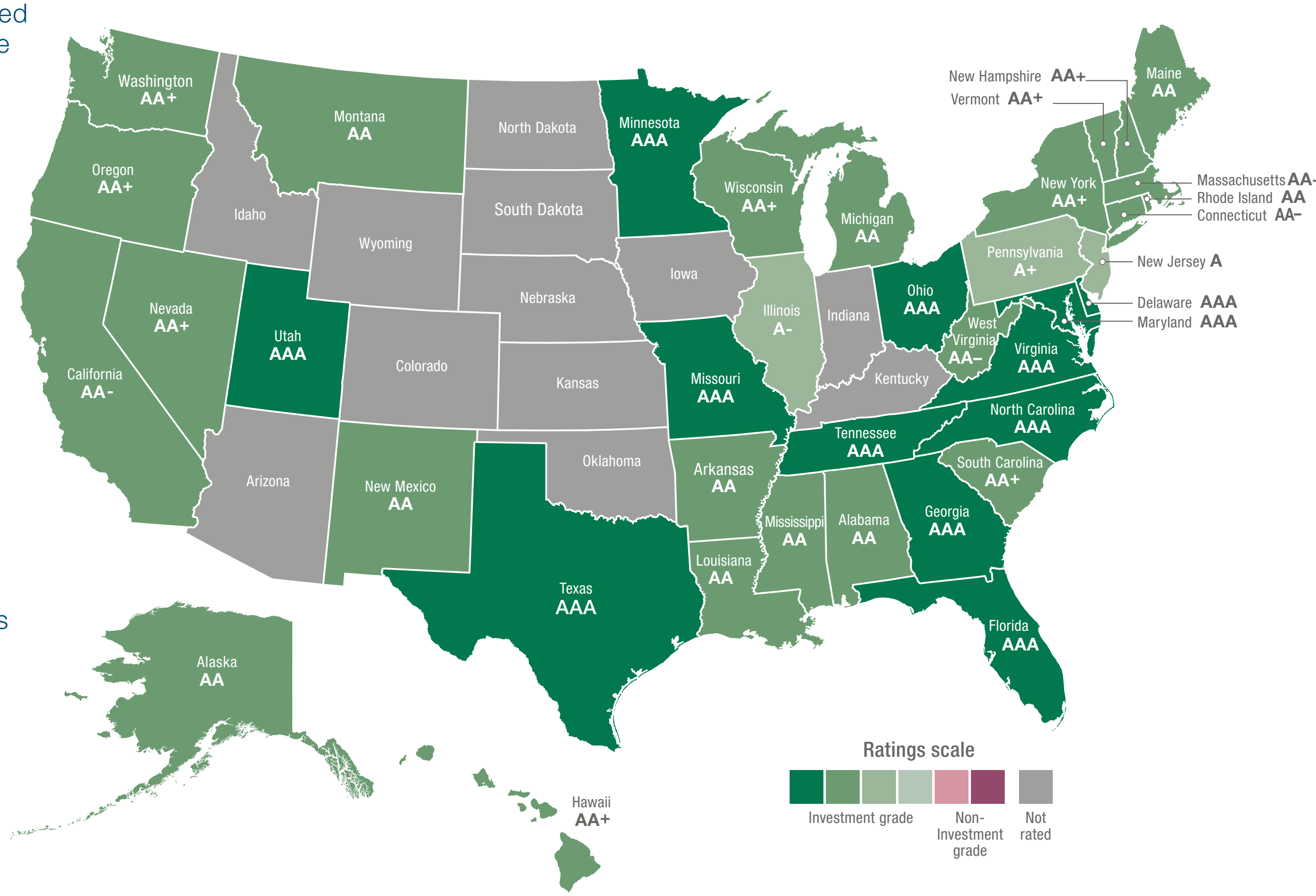
May 2025 State Overviews

State governments have demonstrated strong ability to successfully navigate a maturing fiscal cycle. Slower revenue growth has largely been well-handled over the last two years, and the first half of the 2025 fiscal year proved no different. For states which enacted them, cuts to income taxes are becoming more visible in declining collections, but reserves remain near record highs while investment in capital plans and pension assets has increased. Cost pressures in areas like healthcare and education have mounted, and macroeconomic headwinds have appeared in prices and labor markets, but we remain confident in states' abilities to tackle these issues. Market participants in aggregate would seem to agree. This includes ratings agencies, which applied 7 ratings upgrades to states in 2024, and no downgrades. As such, sixteen states now have at least one AAA rating, enough to be rated higher than the US government, which was downgraded to Aa1 by Moody's in May.



A new breed of challenges has emerged, however, from Washington, D.C. Federal policy developments have become a key driver of state fiscal planning, as Federal grants account for over 30% of state budgets. For example, the federal budget bill currently being considered would impose work requirements and tighten eligibility rules for Medicaid benefits.

May 2025 State Overviews

(Continued)

States could face higher costs if they seek to replace disappearing coverage, especially as restrictions on provider taxes would dampen common financing strategies. These proposals are prompting states to reassess their Medicaid cost exposure and undergo contingency planning.

Trade and tariff policies have also emerged as significant factors in state fiscal planning. Higher tariffs are expected to slow GDP growth and state government revenues by extension, and would impact economies even more directly in import- and export-dependent states. In response, several states have begun to integrate trade and tariff considerations into their economic forecasts and budget discussions.

Federal tax policy continues to indirectly influence state government credit. The cap on state and local tax deductions, which was due to expire in 2025, is now being considered for permanent extension. This cap raises the effective tax burden for residents in high-tax jurisdictions, potentially increasing voter resistance to future tax hikes or renewals. This dynamic can constrain fiscal flexibility and introduce credit risk, particularly in states that rely heavily on progressive income taxes. Pass-through entity (PTE) tax regimes in dozens of states have successfully softened the cap's impact on individual taxpayers, but the federal budget bill includes provisions that could restrict or eliminate these measures. If enacted, such changes would narrow states' tax policy options and could renew pressure for broader tax relief.

The same bill also proposes federal tax changes that could further reduce state revenue bases, particularly in states that conform to federal tax definitions. These include exempting tips and overtime pay from federal income tax. In states that use federal taxable or adjusted gross income as their starting point, these changes could automatically narrow the state tax base unless legislatures take proactive steps to decouple. Currently, 32 states conform to federal adjusted gross income, and 5 conform to federal taxable income, making a large share of state tax systems potentially exposed to these base reductions.

Most state fiscal years are due to end on June 30. As such, they are currently undergoing their own budget negotiations. Much of the federal impact is uncertain, so most states are taking the prudent approach of making conservative forecasts and crafting budgets accordingly, with intentions to address the direct effects of federal funding changes only once they materialize. We focus this update on how those budgets are coming together.

References:
https://www.pewtrusts.org/en/research-and-analysis/articles/; app.fitchconnect.com/article/, equable.org/state-of-pensions-2020/; equable.org/pension-plan-funded-ratio-rankings-2023/; higherlogicdownload.s3.amazonaws.com/NASBO/; www.moodys.com/research/; sandpglobal-spglobal-live-bypass.cphostaccess.com; www.fitchratings.com/research/; https://v2.creditsights.com/articles/612590; https://www.moodys.com/research/docid--PBM_1424749; pro.fitchratings.com/research/; Capitaliq.spglobal.com; www.bondbuyer.com.

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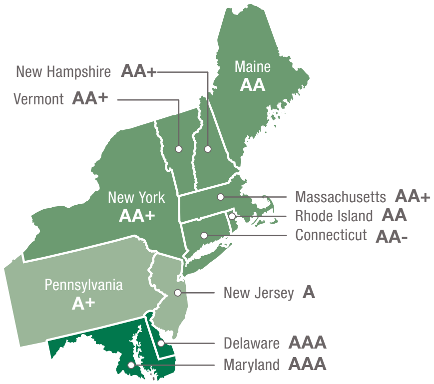

Budgets across the Northeast are focused on education, tax relief and pensions obligations. There's an emphasis on progressive revenue strategies, including a potential capital gains surcharge (proposed in Connecticut) and the Fair Share Amendment tax in Massachusetts. The region is also prioritizing sustainability.

- **Connecticut** lawmakers are nearing a deal for a $55.5 billion two-year budget. The Fiscal Year 2026 budget is projected to be $26.97 billion, a 3.8% increase over fiscal year 2025, and includes a $200 million shift to prepay teacher pensions. This move aims to create room within the state's spending cap by allowing the state to utilize funds from one year to satisfy future pension liabilities. Additionally, the budget proposes a $150 per child tax credit for families earning up to $200,000, while a proposed capital gains tax surcharge of 1.75% has been shelved for now.

- The Commonwealth of **Massachusetts** Senate passed a Fiscal Year 2026 budget totaling $61.4 billion, a 7.4% increase over the previous year. The budget includes investments of $1.19 billion in education and $765 million in transportation infrastructure. Investments will be funded by the Fair Share Amendment, which is the 4% surtax on incomes over $1 million and generated $2.2 billion in revenue in Fiscal Year 2024 to be dedicated to public education and transportation, including free school meals, free community college, and expanded regional bus services.

- The State of **New Jersey's** proposed budget is $58.1 billion, including a surplus of $6.3 billion. The budget will fully fund the school aid formula for the second consecutive year, allocating $12.1 billion to K-12 schools, as well as deliver a fifth consecutive full pension payment. Additionally, the budget supports continued investments in clean energy programs, contributing to the state's goal of 100% clean electricity by 2035. Notably, New Jersey anticipates their Surplus Revenue Fund to carry no balance in Fiscal Year 2026 after an anticipated transfer in Fiscal Year 2025.

- The **New York** State Fiscal Year 2026 (starting April 1) budget has been enacted, totaling $254 billion, a 5.3% increase from the previous year. This budget emphasizes affordability, infrastructure, and provides $1 billion to climate initiatives. The State will send Inflation Refund Checks back to eligible taxpayers as well as expand the Child Tax Credit to provide a maximum of $1,000 per child. Additionally, it includes a $68 billion plan for the Metropolitan Transportation Authority (MTA), funded through adjustments to the payroll mobility tax and a $1.2 billion redirection from the Penn Station redevelopment.

- In recognition of the Commonwealth of **Pennsylvania's** strengthening financial position, Moody's Ratings upgraded the state's credit rating to Aa2 from Aa3 in October 2024. The State has seen the Budget Stabilization Reserve Fund grow from a modest $240 million in January 2021, to potentially $6.4 billion by the end of June 2026 according to the Fiscal Year 2026 budget proposal. This growth has been driven by higher-than-expected tax revenues, including a 3.4% year-over-year growth in personal income tax for the first half of the fiscal year.

North (Continued)

Pennsylvania's proposed $51.5 billion budget for FY2026 focuses on education, infrastructure, and economic development. It includes $8.2 billion for public schools and proposes $1 billion in tax relief for homeowners. The budget also seeks to legalize adult-use cannabis, projected to yield $536 million in FY26, and tax skill games at 52% of gross revenues to generate additional revenue. Additionally, Pennsylvania will continue its commitment to strengthening the financial health of its two primary public pension systems.

State	Ratings (M/S/F) GO Debt Ratings	1H 2025 Collections YoY % Change	Major Revenue Sources YoY % Change	Funded Ratio (FY 24) change vs. FY23	Rainy Day Fund Balance (FY 24) % Change Over FY23	RDF Balances % of GF Spending FY24
CT	Aa3 (Pos) / AA- / AA- (Pos)	$9.05B (+3.65%)	Income Taxes: $4.03B (+3.7%) Sales & Use Tax: $2.65B (+4.3%)	63.5% (+5.7%)	$3.69B (+11.3%)	16.50%
MA	Aa1 / AA+ / AA+	$20.64B (+8.98%)	Income Taxes: $11.24B (+11.4%) Sales & Use Tax: $4.93B (+5.76%)	77.2% (+8.4%)	$8.96B (+11.5%)	18.50%
NJ	A1 (Pos) / A / A+	$18.6B (+2.4%)	Gross Income Tax: $7.5B (+7.2%) Sales Tax: $5.17B (+3.2%)	56.6% (+3.1%)	$306M (+0.0%)	0.60%
NY*	Aa1 / AA+ / AA+	$77.59B (+7.37%)	Personal Income Tax: $40.72B (+12.06%) Sales & Use Tax: $14.46B (+2.1%)	92.8% (+0.8%)	$6.26B (+0.0%)	6.20%
PA	Aa2 / A+ (Pos) / AA	$20.17B (+1.7%)	Personal Income Tax: $7.78B (+3.4%) Sales & Use Tax: $7.33B (+2.0%)	70.3% (+2.0%)	$6.40B (+24.8%)	14.40%

*Fiscal year ending March 31. Collections shown are through December 2024.

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osc.ct.gov/; portal.ct.gov/drs/drs-reports/; portal.ct.gov/-/media/; www.nasbo.org/; mass.gov/lists/; mass.gov/news/; apnews.com/projects/; www.nj.gov/; grantthornton.com/insights/; nbcnews.com/; tax.ny.gov/; pa.gov/content/; pa.gov/agencies/.

State Profiles (as of 03/31/25)

CONNECTICUT

Capital City **Hartford**

Governor **Ned Lamont** (D)

Total issuance, as % of market issuance (YTD)[1]	1.37%
# of issuers[2]	463
Pension funded ratio (2023)[3]	57.8%
State GO ratings[4]	
Moody's	Aa3
S&P	AA-
Fitch	AA-
Top marginal rates[5]	
State level	6.99%
Federal and state combined	43.99%
Tax equivalent yields[6]	
2%	3.83%
3%	5.75%
4%	7.66%
5%	9.58%

DELAWARE

Capital City **Dover**

Governor **Matt Meyer** (D)

Total issuance, as % of market issuance (YTD)[1]	0.10%
# of issuers[2]	247
Pension funded ratio (2023)[3]	87.6%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	6.60%
Federal and state combined	43.60%
Tax equivalent yields[6]	
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]	0.06%
# of issuers[2]	370
Pension funded ratio (2023)[3]	87.2%
State GO ratings[4]	
Moody's	Aa1
S&P	AA
Fitch	—
Top marginal rates[5]	
State level	7.15%
Federal and state combined	44.15%
Tax equivalent yields[6]	
2%	3.84%
3%	5.76%
4%	7.68%
5%	9.61%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

MARYLAND

Capital City **Annapolis**

Governor **Wes Moore (D)**

Total issuance, as % of market issuance (YTD)[1]	1.74%
# of issuers[2]	476
Pension funded ratio (2023)[3]	80.8%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	5.75%
Federal and state combined	42.75%
Tax equivalent yields[6]	
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]	3.22%
# of issuers[2]	921
Pension funded ratio (2023)[3]	68.8%
State GO ratings[4]	
Moody's	Aa1
S&P	AA+
Fitch	AA+
Top marginal rates[5]	
State level	9.00%
Federal and state combined	46.00%
Tax equivalent yields[6]	
2%	3.98%
3%	5.98%
4%	7.97%
5%	9.96%

NEW HAMPSHIRE

Capital City **Concord**

Governor **Kelly Ayotte (R)**

Total issuance, as % of market issuance (YTD)[1]	0.57%
# of issuers[2]	311
Pension funded ratio (2023)[3]	73.2%
State GO ratings[4]	
Moody's	Aa1
S&P	AA+
Fitch	AA+
Top marginal rates[5]	
State level	0.00%
Federal and state combined	37.00%
Tax equivalent yields[6]	
2%	3.38%
3%	5.07%
4%	6.76%
5%	8.45%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

NEW JERSEY

Capital City **Trenton** | Governor **Phil Murphy** (D)

Total issuance, as % of market issuance (YTD)[1]	1.78%
# of issuers[2]	2,064
Pension funded ratio (2023)[3]	53.5%
State GO ratings[4]	
Moody's	A1
S&P	A
Fitch	A+
Top marginal rates[5]	
State level	10.75%
Federal and state combined	47.75%
Tax equivalent yields[6]	
2%	4.13%
3%	6.19%
4%	8.26%
5%	10.32%

NEW YORK

Capital City **Albany** | Governor **Kathy Hochul** (D)

Total issuance, as % of market issuance (YTD)[1]	12.22%
# of issuers[2]	3,725
Pension funded ratio (2023)[3]	92.0%
State GO ratings[4]	
Moody's	Aa1
S&P	AA+
Fitch	AA+
Top marginal rates[5]	
State level	10.90%
Federal and state combined	47.90%
Tax equivalent yields[6]	
2%	4.14%
3%	6.21%
4%	8.28%
5%	10.35%

PENNSYLVANIA

Capital City **Harrisburg** | Governor **Josh Shapiro** (D)

Total issuance, as % of market issuance (YTD)[1]	3.34%
# of issuers[2]	4,361
Pension funded ratio (2023)[3]	68.3%
State GO ratings[4]	
Moody's	Aa2
S&P	A+
Fitch	AA
Top marginal rates[5]	
State level	3.07%
Federal and state combined	40.07%
Tax equivalent yields[6]	
2%	3.56%
3%	5.34%
4%	7.13%
5%	8.91%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

RHODE ISLAND

Capital City **Providence**

Governor **Daniel McKee** (D)

Total issuance, as % of market issuance (YTD)[1]	0.19%
# of issuers[2]	184
Pension funded ratio (2023)[3]	74.6%
State GO ratings[4]	
Moody's	Aa2
S&P	AA
Fitch	AA
Top marginal rates[5]	
State level	5.99%
Federal and state combined	42.99%
Tax equivalent yields[6]	
2%	3.76%
3%	5.64%
4%	7.52%
5%	9.40%

VERMONT

Capital City **Montpelier**

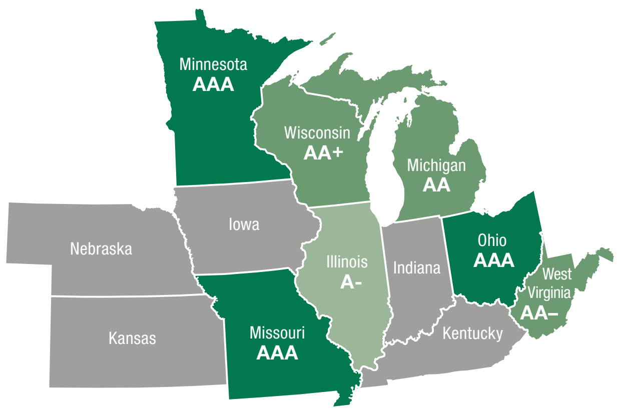
Governor **Phil Scott** (R)

Total issuance, as % of market issuance (YTD)[1]	0.11%
# of issuers[2]	116
Pension funded ratio (2023)[3]	63.3%
State GO ratings[4]	
Moody's	Aa1
S&P	AA+
Fitch	AA+
Top marginal rates[5]	
State level	8.75%
Federal and state combined	45.75%
Tax equivalent yields[6]	
2%	3.96%
3%	5.95%
4%	7.93%
5%	9.91%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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

In the Midwest, state revenues mostly exhibited healthy growth in the first half of FY 2025. Whether or not they exceeded budgeted expectations varied by state, but the financial picture in the region has improved overall. Rainy day fund balances grew in 2024 for each of the states we highlight, which was important because in most cases, the balances are below the recommended mark of 15% of general fund spending.



- **Illinois's** governor has proposed a $129.4 billion FY 2026 budget, which is a 4% increase over FY 2025. It includes $55.2 billion in General Fund spending—up 2.5%—with a modest $218 million surplus. The budget makes the full planned pension contribution of $10.6 billion and adds $398 million to healthcare and $452 million to human services. New revenue measures—such as higher cannabis and casino taxes—raise about $500 million. Capital investment continues under Rebuild Illinois with $915 million in new bond authorizations. 2026 will be the penultimate year of the state's original plan to fully fund the Evidence Based K-12 funding formula, but the proposal again makes only the minimum statutory increase of $350 million, leaving it all but certain that the plan to reach full formula funding by 2027 will not be achieved.
- **Kentucky** enacted its FY 2026 budget over a year ago, as it uses a biennial approach. The state's K-12 formula funding grows 6% in FY 2026 (vs. 3% in FY 2025), though no mandated teacher salary increases are included despite the governor's proposal of 11% raises. Kentucky's strong revenue position leading into the biennium allowed the state to use $2.7 billion from its rainy day fund for infrastructure and pensions while still maintaining almost its full balance using new deposits. After that budget was passed, final revenue numbers proved even stronger than anticipated and the rainy day fund ballooned to a massive 36.6% of spending. Kentucky will now be glad to have established that position, as its individual income tax revenues have declined in FY 2025, and a rate cut from 4.0% to 3.5% is set to be triggered in FY 2026. Another prudent decision in the past that will ease revenue declines in the present was the decision to make $730 million in supplemental pension payments.
- **Michigan** Governor Gretchen Whitmer has released a preliminary budget proposal, in advance of the end of their off-cycle 9/30 fiscal year end. Recent financial trends in the state are highly robust, including a 12.5% year-over-year increase in individual income tax receipts during the first half of FY 2025. Currently, the preliminary budget proposal includes an increase of about 3.5% in total. Of note, Michigan has a large manufacturing sector, which is sensitive to import and export prices and therefore, could be negatively impacted by tariff policy. For example, the auto industry is said to support one in 10 jobs in the state and has ties to 20% of the state's economy. Consultants have forecasted that tariffs could add up to $12,000 to the price of many new cars, which is expected to harm demand.
- **Ohio's** budgetary biennium is set to begin this year. Notably, the Republican-led assembly and Republican governor are in the midst of budget debates and are at odds. Both of them recommend $44.7 billion in General Revenue Fund expenditures in FY 2026 and both forecast surpluses of revenue. However, the governor proposes some ancillary tax increases to provide that surplus, while the state House budget bill nixed them, arriving at the surplus by simply forecasting higher revenues. The governor's budget emphasizes education, with full implementation of the school funding formula. The House does not fully fund that formula and focuses its budget on property tax relief. One measure the House passed would restrict school districts' ability to levy property taxes when their cash reserves are high.

Central (Continued)

- **Wisconsin** governor Tony Evers has proposed a massive budget increase for their 2025-2027 biennium. Fueled by a record $4.3 general fund balance and $1.9 billion rainy day fund, Governor Evers proposed a total budget increase of 21.3%. He also proposed expanding Medicaid under the Affordable Care Act, which would make Wisconsin the last state in its region to do so. This proposal is likely to be re-examined now that federal support of Medicaid is due to shrink. The general fund balance is projected to decline to $2.3 billion by the end of FY 2026 and just $638 million by the end of FY 2027. The budget is currently under consideration at the state legislature.

State	Ratings (M/S/F) GO Debt Ratings	1H 2025 Collections YoY % Change	Major Revenue Sources YoY % Change	Funded Ratio (FY 24) change vs. FY23	Rainy Day Fund Balance (FY 24) % Change Over FY23	RDF Balances % of GF Spending FY24
IL	A3 (Pos) / A- / A-	$21.41B (+4.8%)	Individual Income Tax: $11.94B (+9.2%) Sales & Use Tax: $5.53B (+1.2%)	51.6% (+0.7%)	$2.10B (+8.3%)	4.0%
KY	Aa3 / A / AA- -Appropriation, cannot issue GO debt	$7.87B (+1.7%)	Individual Income Tax: $2.45B (-13.3%) Sales & Use Tax: $2.94B (+0.6%)	54.1% (+4.0%)	$5.23B (+40.7%)	36.6%
MI*	Aa1 / AA / AA+	$14.78B (+6.1%)	Individual Income Tax: $5.87B (+12.5%) Sales & Use Tax: $6.46B (+0.0%)	80.9% (+7.0%)	$1.99B (+11.9%)	12.6%
OH	Aaa / AAA / AAA	$14.15B (+1.0%)	Individual Income Tax: $5.12B (+2.4%) Sales & Use Tax: $7.02B (+1.2%)	81.2% (-0.1%)	$3.79B (+8.2%)	10.6%
WI	Aa1 / AA+ / AA+	$9.73B (-12.9%)	Individual Income Tax: $4.57B (-7.9%) Sales & Use Tax: $3.28B (-23.5%)	102.1% (+1.9%)	$1.90B (+5.5%)	8.3%

*Fiscal year ends September 30. Collections through March are shown.

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State Profiles (as of 03/31/25)

ILLINOIS

Capital City **Springfield**

Governor **J.B. Pritzker** (D)

Total issuance, as % of market issuance (YTD)[1]	2.33%
# of issuers[2]	4,786
Pension funded ratio (2023)[3]	50.9%
State GO ratings[4]	
Moody's	A3
S&P	A-
Fitch	A-
Top marginal rates[5]	
State level	4.95%
Federal and state combined	41.95%
Tax equivalent yields[6]	
2%	3.69%
3%	5.53%
4%	7.37%
5%	9.22%

INDIANA

Capital City **Indianapolis**

Governor **Mike Braun** (R)

Total issuance, as % of market issuance (YTD)[1]	0.68%
# of issuers[2]	4,191
Pension funded ratio (2023)[3]	78.1%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	3.00%
Federal and state combined	40.00%
Tax equivalent yields[6]	
2%	3.56%
3%	5.34%
4%	7.12%
5%	8.90%

IOWA

Capital City **Des Moines**

Governor **Kim Reynolds** (R)

Total issuance, as % of market issuance (YTD)[1]	0.73%
# of issuers[2]	2,631
Pension funded ratio (2023)[3]	89.6%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	3.80%
Federal and state combined	40.80%
Tax equivalent yields[6]	
2%	3.61%
3%	5.42%
4%	7.22%
5%	9.03%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

KANSAS

Capital City **Topeka**

Governor **Laura Kelly** (D)

Total issuance, as % of market issuance (YTD)[1]	0.64%
# of issuers[2]	2,323
Pension funded ratio (2023)[3]	76.5%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	5.58%
Federal and state combined	42.58%
Tax equivalent yields[6]	
2%	3.73%
3%	5.59%
4%	7.46%
5%	9.32%

KENTUCKY

Capital City **Frankfort**

Governor **Andy Beshear** (D)

Total issuance, as % of market issuance (YTD)[1]	2.53%
# of issuers[2]	2,034
Pension funded ratio (2023)[3]	50.1%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	4.00%
Federal and state combined	41.00%
Tax equivalent yields[6]	
2%	3.62%
3%	5.43%
4%	7.25%
5%	9.06%

MICHIGAN

Capital City **Lansing**

Governor **Gretchen Whitmer** (D)

Total issuance, as % of market issuance (YTD)[1]	1.26%
# of issuers[2]	3,756
Pension funded ratio (2023)[3]	73.9%
State GO ratings[4]	
Moody's	Aa1
S&P	AA
Fitch	AA+
Top marginal rates[5]	
State level	4.25%
Federal and state combined	41.25%
Tax equivalent yields[6]	
2%	3.64%
3%	5.46%
4%	7.28%
5%	9.10%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

MINNESOTA

Capital City **St. Paul**

Governor **Tim Walz** (D)

Total issuance, as % of market issuance (YTD)[1]	0.83%
# of issuers[2]	3,708
Pension funded ratio (2023)[3]	75.2%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	9.85%
Federal and state combined	46.85%
Tax equivalent yields[6]	
2%	4.05%
3%	6.08%
4%	8.11%
5%	10.13%

MISSOURI

Capital City **Jefferson City**

Governor **Mike Kehoe** (R)

Total issuance, as % of market issuance (YTD)[1]	1.90%
# of issuers[2]	3,771
Pension funded ratio (2023)[3]	80.5%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	4.70%
Federal and state combined	41.70%
Tax equivalent yields[6]	
2%	3.67%
3%	5.50%
4%	7.34%
5%	9.17%

NEBRASKA

Capital City **Lincoln**

Governor **Jim Pillen** (R)

Total issuance, as % of market issuance (YTD)[1]	0.33%
# of issuers[2]	2,612
Pension funded ratio (2023)[3]	98.1%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	5.20%
Federal and state combined	42.20%
Tax equivalent yields[6]	
2%	3.70%
3%	5.56%
4%	7.41%
5%	9.26%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

OHIO

Capital City **Columbus**

Governor **Mike DeWine** (R)

Total issuance, as % of market issuance (YTD)[1]	3.68%
# of issuers[2]	3,520
Pension funded ratio (2023)[3]	81.3%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	3.50%
Federal and state combined	40.50%
Tax equivalent yields[6]	
2%	3.59%
3%	5.39%
4%	7.18%
5%	8.98%

WEST VIRGINIA

Capital City **Charleston**

Governor **Patrick Morisey** (R)

Total issuance, as % of market issuance (YTD)[1]	0.21%
# of issuers[2]	737
Pension funded ratio (2023)[3]	93.1%
State GO ratings[4]	
Moody's	Aa2
S&P	AA-
Fitch	AA
Top marginal rates[5]	
State level	4.82%
Federal and state combined	41.82%
Tax equivalent yields[6]	
2%	3.68%
3%	5.52%
4%	7.36%
5%	9.19%

WISCONSIN

Capital City **Madison**

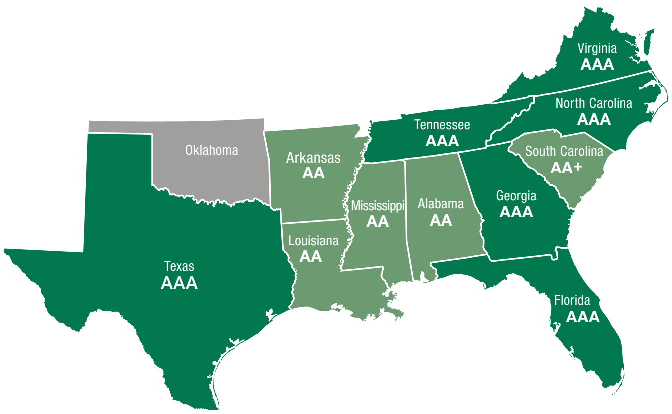
Governor **Tony Evers** (D)

Total issuance, as % of market issuance (YTD)[1]	4.19%
# of issuers[2]	3,036
Pension funded ratio (2023)[3]	100.2%
State GO ratings[4]	
Moody's	Aa1
S&P	AA+
Fitch	AA+
Top marginal rates[5]	
State level	7.65%
Federal and state combined	44.65%
Tax equivalent yields[6]	
2%	3.88%
3%	5.82%
4%	7.76%
5%	9.70%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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

Southern states are focused on tax cuts, conservative fiscal management, and investments in growth sectors. These states are often using surpluses for one-time appropriations or infrastructure projects rather than expanding recurring social programs. Budget plans tend to reflect a leaner government philosophy, with cautious spending in areas like K-12 and higher education.



- **Florida** is experiencing budget delays, with the legislature having not yet passed the final budget for Fiscal Year 2026. Governor Ron DeSantis proposed a $115.6 billion budget, a decrease of $3.0 billion (2.5%) from the current FY2025 budget. Priorities include tax relief, economic development, public safety, and environmental protection. The budget recommends $2.2 billion in tax relief, primarily through eliminating the Business Rent Tax, saving Florida businesses an estimated $1.6 billion, and various sales tax holidays. It also continues investments in Everglades restoration and water quality projects.

- Governor Brian Kemp of **Georgia** signed the $37.7 billion state budget for Fiscal Year 2026 on May 9, 2025. This focuses on strategic investments in areas like education, public safety, and healthcare, while utilizing the state's surplus of $11.5 billion to fund capital projects and provide some tax relief. It will also allocate over $6 billion in one-time appropriations primarily for education and health services. In April 2025, Governor Brian Kemp signed into law Bill 111, accelerating previously planned rate reductions to the State's flat income tax aimed at eventually reaching a 4.99% rate by 2029. The most recent cut will bring the income tax rate from 5.39% to 5.19%, retroactive to January 1, 2025.

- **Louisiana** Governor Jeff Landry proposed a $44.96 billion budget for Fiscal Year 2026, a slight decrease from the Fiscal Year 2025 budget. The General Fund is $12.15 billion, a 0.59% increase. The proposed budget focuses on fiscal responsibility, tax reforms, and investments into infrastructure, education, and public safety. The proposal includes recent tax changes, including reducing the individual income tax to a flat 3% and lowering the corporate tax rate from 7.5% to 5.5%. Additionally, the corporate franchise tax has been eliminated. To offset revenue losses of more than $1.3 billion a year , the state sales tax has been increased to 5% for five years. Budget investments will primarily target non-recurring expenses like critical infrastructure improvements such as highway construction.

- **Texas** has experienced a decline in oil and gas revenues, primarily due to declining crude prices and increasing operational costs, resulting in a reduction of drilling activity. As of April 2025, the number of active drilling rig permits was 570, the lowest since 2021.

South (Continued)

The Texas House and Senate have proposed a budget of approximately $337.4 billion for the 2026–27 biennium (starting September 1), with an emphasis on property tax relief, education funding, and $6.5 billion to maintain border security. The Legislature has approved a property tax relief package that increases the homestead exemption from $100,000 to $140,000 for most homeowners, and up to $200,000 for seniors and homeowners with disabilities. This measure is pending voter approval in a statewide November referendum. Additionally, the budget would increase State Medicaid funding and potentially increase teachers' pay statewide.

State	Ratings (M/S/F) GO Debt Ratings	1H 2025 Collections YoY % Change	Major Revenue Sources YoY % Change	Funded Ratio (FY 24) change vs. FY23	Rainy Day Fund Balance (FY 24) % Change Over FY23	RDF Balances % of GF Spending FY24
FL	Aaa / AAA / AAA	$22.95B (+3.3%)	Sales Tax: $17.5B (+1.8%) Corporate Income Tax: $2.56B (+1.1%)	83.8% (+2.0%)	$4.14B (+31.8%)	6.90%
GA	Aaa / AAA / AAA	$16.36B (1.8%)	Individual Income Tax: $7.77B (-2.4%) Sales & Use Tax: $4.65B (+3.0%)	80.7% (+4.9%)	$5.47B (+1.5%)	15.00%
LA	Aa2 / AA / AA-	$6B (+1%)	Individual Income Tax: $2.37B (+11.27%) General Sales Tax: $2.2B (-0.45%)	78.0% (+3.8%)	$975M (+0.2%)	7.90%
TX*	Aaa / AAA / AAA	$59.36B (+5.89%)	Sales Taxes: $16.26B (+3.17%) Oil Production Tax: $1.87B (-15.38%)	82.4% (+5.5%)	$19.97B (+40.9%)	18.00%

*Fiscal year ending August 31. Collections shown are through December 2024.

References:
edr.state.fl.us/content/revenues/; edr.state.fl.us/content/revenues2/; dor.georgia.gov/; nasbo.org/; revenue.louisiana.gov/; pelicanpolicy.org/; parlouisiana.org/; lcb.legis.la.gov/; bondbuyer.com/; treasury.la.gov/; itep.org/; comptroller.texas.gov/; blinks.bloomberg.com/; comptroller.texas.gov/.

State Profiles (as of 03/31/25)

ALABAMA

Capital City **Montgomery**

Governor **Kay Ivey** (R)

Total issuance, as % of market issuance (YTD)[1]	3.94%
# of issuers[2]	2,229
Pension funded ratio (2023)[3]	71.5%
State GO ratings[4]	
Moody's	Aa1
S&P	AA
Fitch	AA+
Top marginal rates[5]	
State level	5.00%
Federal and state combined	42.00%
Tax equivalent yields[6]	
2%	3.69%
3%	5.54%
4%	7.38%
5%	9.23%

ARKANSAS

Capital City **Little Rock**

Governor **Sarah H Sanders** (R)

Total issuance, as % of market issuance (YTD)[1]	0.37%
# of issuers[2]	1,610
Pension funded ratio (2023)[3]	84.7%
State GO ratings[4]	
Moody's	Aa1
S&P	AA
Fitch	—
Top marginal rates[5]	
State level	3.90%
Federal and state combined	40.90%
Tax equivalent yields[6]	
2%	3.62%
3%	5.42%
4%	7.23%
5%	9.04%

FLORIDA

Capital City **Tallahassee**

Governor **Ron DeSantis** (R)

Total issuance, as % of market issuance (YTD)[1]	4.71%
# of issuers[2]	4,091
Pension funded ratio (2023)[3]	81.8%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	0.00%
Federal and state combined	37.00%
Tax equivalent yields[6]	
2%	3.38%
3%	5.07%
4%	6.76%
5%	8.45%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

GEORGIA

Capital City **Atlanta**

Governor **Brian Kemp** (R)

Total issuance, as % of market issuance (YTD)[1]	2.59%
# of issuers[2]	2,072
Pension funded ratio (2023)[3]	75.8%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	5.39%
Federal and state combined	42.39%
Tax equivalent yields[6]	
2%	3.72%
3%	5.58%
4%	7.43%
5%	9.29%

LOUISIANA

Capital City **Baton Rouge**

Governor **Jeff Landry** (R)

Total issuance, as % of market issuance (YTD)[1]	0.36%
# of issuers[2]	1,768
Pension funded ratio (2023)[3]	74.2%
State GO ratings[4]	
Moody's	Aa2
S&P	AA
Fitch	AA-
Top marginal rates[5]	
State level	3.00%
Federal and state combined	40.00%
Tax equivalent yields[6]	
2%	3.56%
3%	5.34%
4%	7.12%
5%	8.90%

MISSISSIPPI

Capital City **Jackson**

Governor **Tate Reeves** (R)

Total issuance, as % of market issuance (YTD)[1]	0.27%
# of issuers[2]	1,318
Pension funded ratio (2023)[3]	66.3%
State GO ratings[4]	
Moody's	Aa2
S&P	AA
Fitch	AA
Top marginal rates[5]	
State level	4.40%
Federal and state combined	41.40%
Tax equivalent yields[6]	
2%	3.65%
3%	5.47%
4%	7.30%
5%	9.12%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

NORTH CAROLINA

Capital City **Raleigh**
Governor **Josh Stein** (D)

Total issuance, as % of market issuance (YTD)[1]	1.79%
# of issuers[2]	1,125
Pension funded ratio (2023)[3]	88.6%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	4.25%
Federal and state combined	41.25%
Tax equivalent yields[6]	
2%	3.64%
3%	5.46%
4%	7.28%
5%	9.10%

OKLAHOMA

Capital City **Oklahoma City**
Governor **Kevin Stitt** (R)

Total issuance, as % of market issuance (YTD)[1]	1.66%
# of issuers[2]	1,765
Pension funded ratio (2023)[3]	80.0%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	4.75%
Federal and state combined	41.75%
Tax equivalent yields[6]	
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]	1.82%
# of issuers[2]	906
Pension funded ratio (2023)[3]	59.9%
State GO ratings[4]	
Moody's	Aaa
S&P	AA+
Fitch	AAA
Top marginal rates[5]	
State level	6.20%
Federal and state combined	43.20%
Tax equivalent yields[6]	
2%	3.77%
3%	5.66%
4%	7.55%
5%	9.43%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

TENNESSEE

Capital City **Nashville**

Governor **Bill Lee** (R)

Total issuance, as % of market issuance (YTD)[1]	0.30%
# of issuers[2]	1,387
Pension funded ratio (2023)[3]	105.0%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	0.00%
Federal and state combined	37.00%
Tax equivalent yields[6]	
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]	9.80%
# of issuers[2]	7,378
Pension funded ratio (2023)[3]	76.9%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	0.00%
Federal and state combined	37.00%
Tax equivalent yields[6]	
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]	1.03%
# of issuers[2]	1,268
Pension funded ratio (2023)[3]	85.6%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	5.75%
Federal and state combined	42.75%
Tax equivalent yields[6]	
2%	3.74%
3%	5.61%
4%	7.48%
5%	9.35%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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

Collections have been mixed across western states in the first half of 2025 due to tax policies in the region that allow for a certain deal of volatility. Many western states have instituted tax cuts in recent years, adding to the volatility of revenues. Reserves remain healthy, but some states have begun to draw them down.

- **Arizona** governor Katie Hobbs has introduced a FY 2026 budget proposal that includes $17.7 billion from the General Fund—up 7.5% from her FY 2025 proposal. The proposal maintains a structural surplus and keeps over $1.6 billion in reserves. This is likely to prove helpful now that the state has lowered its income tax rate, a change which took effect partway through FY 2023. A key tenet of Hobbs's proposal is limiting the cost of the state's school voucher program. Arizona has pioneered one of the most generous voucher programs in the country, and currently all students are eligible. She aims to limit wealthy families' eligibility.
- **California** has just produced its customary "May Revision" to its state budget proposal. It addresses what figures to be a pivotal year for the state, as the enormous reserves it built up during and after the pandemic must now be utilized to stabilize the budget as revenues have normalized and budget shortfalls have become the norm. Fiscal years 2024 and 2025 included reserve withdrawals, and the proposals for FY 2026 are no different—Governor Newsom has re-affirmed his two-year plan which calls for a $7.1 billion withdrawal in FY 2026. Facing a shortfall of $12 billion, Newsom proposes to trim general fund spending by 3.0%, to $226 billion. K-12 education will undergo some statutory, automatic cuts, but support is maintained in other ways including full rollout of universal transitional kindergarten and tuition-free community college. Overall, the proposal plans for general fund revenues to decline 6.0%. Apart from the shortfall, the main items addressed in the revision are the indirect effects of federal policy on the economy (direct changes to federal aid are not incorporated, as they are still uncertain), and Medi-Cal, as expenses for California's Medicaid program have grown much faster than anticipated. They are the main cause of the shortfall for 2025-26 and are addressed with reductions to the program, including removing most undocumented immigrants from the program. Further cuts will be needed if federal support is diminished with the current federal reconciliation bill.
- **Colorado** has finalized its next budget, which contended with a Medicaid-driven shortfall of $1.2 billion in the general fund. When mid-year adjustments and timing shifts of federal funds are considered, it is actually downsized from the prior year's budget by 1.9%. The state trims agency personnel costs by 1% but funds a 2.5% employee raise. Ultimately, the state has rigid statutory controls that limit spending and mandate high general fund reserves. The general fund is budgeted to exceed those reserves, so the fiscal situation in Colorado is sound despite the shortfall.
- **Hawaii** has passed a new biennial budget, in which the FY 2026 budget totals $20.55 billion, up 7.4% from FY 2025. The General Fund portion is $10.47 billion, rising 1.5% with projected revenue growth of 2.5%. Governor Green focuses on housing, healthcare access, and wildfire recovery. Tax relief, a frequent theme in Hawaii in recent years, continues via legislation targeting relief for low- and middle-income households. Strong reserves (projected at 16.6% of prior-year revenues) underpin Hawaii's stable fiscal outlook, allowing for new investments such as the reconstruction of Lahaina Harbor and Lahaina Elementary School.

West (Continued)

- **Oregon's** FY 2025–27 gubernatorial biennial budget draft totals $137.7 billion, 10.5% above the prior biennium. In their debates so far, the legislature has generally matched the proposals submitted by Governor Tina Kotek. The plan is powered by an 11.5% surge in tax revenues, 80% of which comes from personal income taxes. Complicating the picture is the recent revision to revenue forecasts to the downside ($500 million), so the governor's budget will likely still need tinkering before it passes into law. However, unlike California's Governor Newsom, Kotek has expressed reluctance to cut undocumented immigrants from the state's Medicaid program. Current federal proposals would apply a penalty for this policy by reducing the federal share of Medicaid expansion from 90% to 80%.

- **Utah's** steady pace of revenue increases so far in FY 2025 is both a reason for and a result of their consistently conservative fiscal posture. Governor Cox's new budget proposes $30.6 billion in expenditures for FY 2026, a modest 1.8% increase over FY 2025. His proposal eliminates income taxes on Social Security benefits and expands the child tax credit, while increasing formula funding for K-12 schools. Also, a new "Operation Gigawatt" initiative promotes clean energy development. Utah has the luxury of making investments like this year after year due to their fully-funded pensions.

State	Ratings (M/S/F) GO Debt Ratings	1H 2025 Collections YoY % Change	Major Revenue Sources YoY % Change	Funded Ratio (FY 24) change vs. FY23	Rainy Day Fund Balance (FY 24) % Change Over FY23	RDF Balances % of GF Spending FY24
AZ	Aa2 / AA- (Pos) / NR -Appropriation, cannot issue GO debt	$7.83B (+4.6%)	Individual Income Tax: $2.79B (+13.3%) Sales & Use Tax: $4.00B (+3.4%)	76.3% (+3.1%)	$1.49B (+4.4%)	8.6%
CA	Aa2 / AA- / AA	$88.95B (-4.0%)	Individual Income Tax: $54.74B (-2.1%) Sales & Use Tax: $16.45B (+0.1%)	80.7% (+0.9%)	$26.33B (-61.0%)	11.8%
CO	Aa2 / AA- / NR -Appropriation, cannot issue GO debt	$8.87B (+2.0%)	Individual Income Tax: $5.28B (-11.9%) Sales & Use Tax: $2.43B (+1.3%)	74.5% (+3.1%)	$1.91B (-21.2%)	10.7%
HI	Aa2 / AA+ / AA	$5.63B (+11.0%)	Individual Income Tax: $1.69B (+10.6%) Sales & Use Tax: $2.21B (+0.6%)	63.2% (-2.2%)	$1.52B (+55.7%)	14.1%
OR	Aa1/ AA+ / AA+ (Pos)	$6.04B (-7.7%)	Individual Income Tax: $5.30B (-8.0%) Corporate Income Tax: $0.74B (-5.6%)	81.3% (-6.9%)	$2.59B (+28.4%)	16.1%
UT	Aaa / AAA / AAA	$5.75B (+1.6%)	Individual Income Tax: $3.63B (+3.1%) Sales & Use Tax: $2.12B (+0.4%)	104.2% (-2.8%)	$1.19B (0.0%)	8.7%

References:
azospb.gov/; azjlbc.gov/mfhs/; ebudget.ca.gov/; sco.ca.gov/; leg.colorado.gov/bills/; leg.colorado.gov/sites/; cdor.colorado.gov/; tax.hawaii.gov/; lookerstudio.google.com/reporting/; oregon.gov/; opb.org/article/; treasurer.utah.gov/; gopb.utah.gov/; treasurer.utah.gov/.

State Profiles (as of 03/31/25)

ALASKA

Capital City **Juneau**

Governor **Mike Dunleavy** (R)

Total issuance, as % of market issuance (YTD)[1]	0.30%
# of issuers[2]	154
Pension funded ratio (2023)[3]	76.5%
State GO ratings[4]	
Moody's	Aa3
S&P	AA
Fitch	A+
Top marginal rates[5]	
State level	0.00%
Federal and state combined	37.00%
Tax equivalent yields[6]	
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]	1.20%
# of issuers[2]	1,377
Pension funded ratio (2023)[3]	73.2%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	2.50%
Federal and state combined	39.50%
Tax equivalent yields[6]	
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]	15.26%
# of issuers[2]	9,364
Pension funded ratio (2023)[3]	79.8%
State GO ratings[4]	
Moody's	Aa2
S&P	AA-
Fitch	AA
Top marginal rates[5]	
State level	13.30%
Federal and state combined	50.30%
Tax equivalent yields[6]	
2%	4.36%
3%	6.54%
4%	8.71%
5%	10.89%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

COLORADO

Capital City **Denver**
Governor **Jared Polis** (D)

Total issuance, as % of market issuance (YTD)[1]	2.96%
# of issuers[2]	3,025
Pension funded ratio (2023)[3]	71.4%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	4.40%
Federal and state combined	41.40%
Tax equivalent yields[6]	
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]	0.67%
# of issuers[2]	71
Pension funded ratio (2023)[3]	65.4%
State GO ratings[4]	
Moody's	Aa2
S&P	AA+
Fitch	AA
Top marginal rates[5]	
State level	11.00%
Federal and state combined	48.00%
Tax equivalent yields[6]	
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]	1.23%
# of issuers[2]	544
Pension funded ratio (2023)[3]	88.9%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	5.30%
Federal and state combined	42.30%
Tax equivalent yields[6]	
2%	3.71%
3%	5.57%
4%	7.42%
5%	9.28%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

MONTANA

Capital City **Helena**

Governor **Greg Gianforte** (R)

Total issuance, as % of market issuance (YTD)[1]	0.17%
# of issuers[2]	803
Pension funded ratio (2023)[3]	73.0%
State GO ratings[4]	
Moody's	Aa1
S&P	AA
Fitch	AA+
Top marginal rates[5]	
State level	5.90%
Federal and state combined	42.90%
Tax equivalent yields[6]	
2%	3.75%
3%	5.63%
4%	7.50%
5%	9.38%

NEVADA

Capital City **Carson City**

Governor **Joe Lombardo** (R)

Total issuance, as % of market issuance (YTD)[1]	0.95%
# of issuers[2]	281
Pension funded ratio (2023)[3]	81.8%
State GO ratings[4]	
Moody's	Aa1
S&P	AA+
Fitch	AA+
Top marginal rates[5]	
State level	0.00%
Federal and state combined	37.00%
Tax equivalent yields[6]	
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]	0.84%
# of issuers[2]	664
Pension funded ratio (2023)[3]	65.4%
State GO ratings[4]	
Moody's	Aa2
S&P	AA
Fitch	—
Top marginal rates[5]	
State level	5.90%
Federal and state combined	42.90%
Tax equivalent yields[6]	
2%	3.75%
3%	5.63%
4%	7.50%
5%	9.38%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

NORTH DAKOTA

Capital City **Bismarck**

Governor **Kelly Armstrong (R)**

Total issuance, as % of market issuance (YTD)[1]	0.00%
# of issuers[2]	885
Pension funded ratio (2023)[3]	67.4%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	2.50%
Federal and state combined	39.50%
Tax equivalent yields[6]	
2%	3.53%
3%	5.29%
4%	7.05%
5%	8.82%

OREGON

Capital City **Salem**

Governor **Tina Kotek (D)**

Total issuance, as % of market issuance (YTD)[1]	0.67%
# of issuers[2]	1,225
Pension funded ratio (2023)[3]	88.2%
State GO ratings[4]	
Moody's	Aa1
S&P	AA+
Fitch	AA+
Top marginal rates[5]	
State level	9.90%
Federal and state combined	46.90%
Tax equivalent yields[6]	
2%	4.06%
3%	6.09%
4%	8.11%
5%	10.14%

SOUTH DAKOTA

Capital City **Pierre**

Governor **Larry Rhoden (R)**

Total issuance, as % of market issuance (YTD)[1]	0.20%
# of issuers[2]	594
Pension funded ratio (2023)[3]	100.0%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	0.00%
Federal and state combined	37.00%
Tax equivalent yields[6]	
2%	3.38%
3%	5.07%
4%	6.76%
5%	8.45%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 03/31/25)

UTAH

Capital City: **Salt Lake City**

Governor: **Spencer Cox** (R)

Total issuance, as % of market issuance (YTD)[1]	0.82%
# of issuers[2]	939
Pension funded ratio (2023)[3]	107.0%
State GO ratings[4]	
Moody's	Aaa
S&P	AAA
Fitch	AAA
Top marginal rates[5]	
State level	4.55%
Federal and state combined	41.55%
Tax equivalent yields[6]	
2%	3.66%
3%	5.49%
4%	7.32%
5%	9.15%

WASHINGTON

Capital City: **Olympia**

Governor: **Bob Ferguson** (D)

Total issuance, as % of market issuance (YTD)[1]	1.86%
# of issuers[2]	1,860
Pension funded ratio (2023)[3]	103.5%
State GO ratings[4]	
Moody's	Aaa
S&P	AA+
Fitch	AA+
Top marginal rates[5]	
State level	7.00%
Federal and state combined	44.00%
Tax equivalent yields[6]	
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]	0.08%
# of issuers[2]	313
Pension funded ratio (2023)[3]	93.6%
State GO ratings[4]	
Moody's	—
S&P	—
Fitch	—
Top marginal rates[5]	
State level	0.00%
Federal and state combined	37.00%
Tax equivalent yields[6]	
2%	3.38%
3%	5.07%
4%	6.76%
5%	8.45%

1. Bloomberg, March 2025. 2. Electronic Municipal Market Access (EMMA), March 2025. 3. Equable, January 2024. 4. Bloomberg, March 2025. 5. Tax Foundation, March 2025. 6. Tax equivalent yield assumes the current maximum state and federal income tax rate (for 2024) 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 NYLI MacKay High Yield Muni 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 deviatio**n 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 Treasurys, 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

[†] Effective 8/28/24, MainStay High Yield Municipal Bond Fund was renamed NYLI High Yield Muni Bond Fund.

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. The **Bloomberg Municipal Baa Index** uses a rule-based methodology. A well-defined set of rules has been established to minimize arbitrary exclusion of securities, assure that the issues included have reasonable trading availability, and allow for maintenance of complete market data. This approach ensures that the Baa Municipal Bond Index is consistent, objective, replicable, reliable, and that it is representative of the marketplace. The **Bloomberg Municipal Bond Long Term Index** is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch. The **Bloomberg 1-3 Month U.S. Treasury Bill Index** (the "Index") is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months.

Consider the Funds' investment objectives, risks, charges, and expenses carefully before investing. The prospectus and summary prospectus include this and other information about the Funds and are available by visiting the Prospectus. Read the prospectus carefully before investing.

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