State of the States

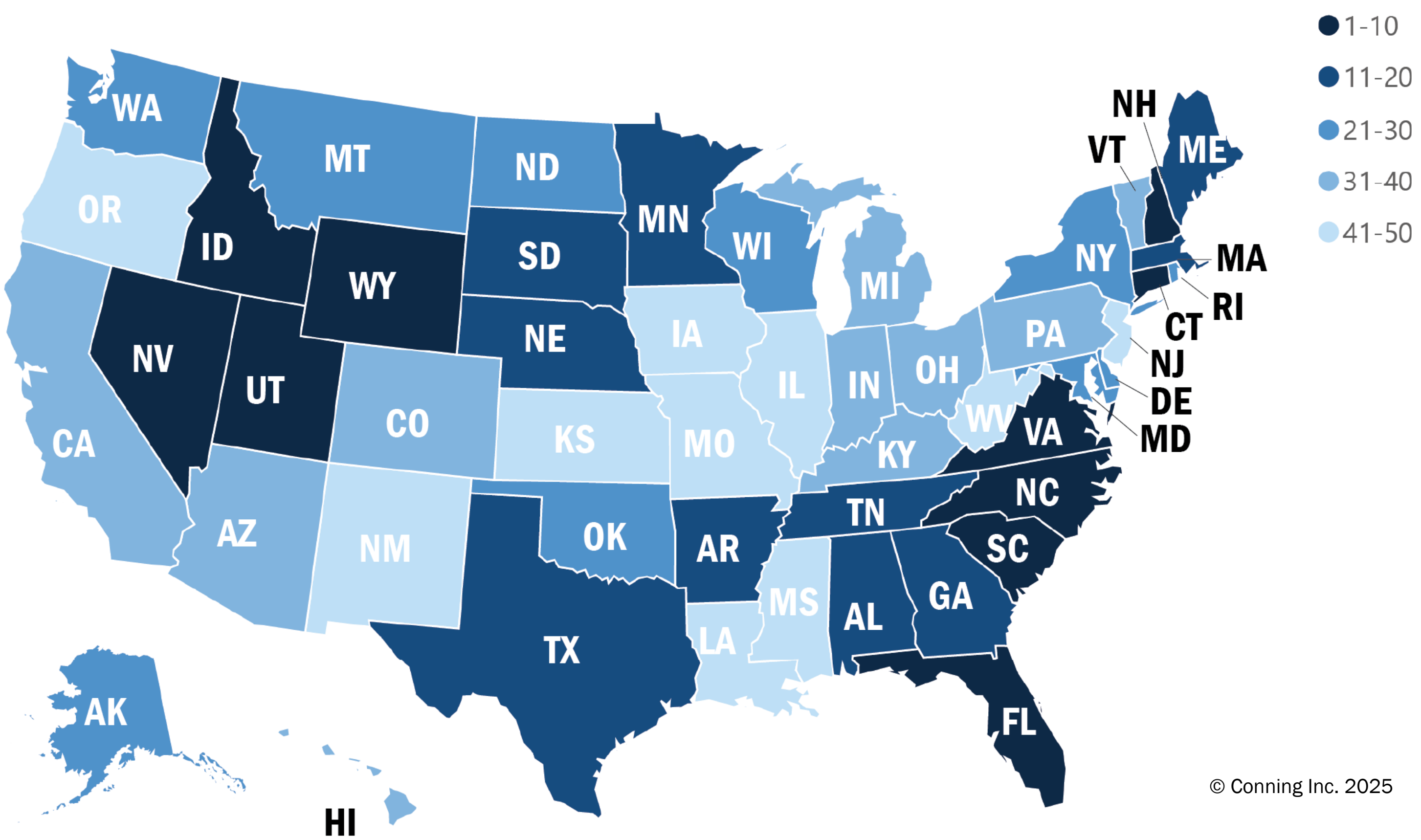
ASSET MANAGEMENT | WHITE PAPER | JUNE 2025

Conning Maintains "Stable" Outlook

Key Findings

- Conning maintains our "stable" outlook for state credit quality as we think states have demonstrated sufficient fiscal resilience to manage both known challenges and unpredictable developments.
- States generally began fiscal year 2025 with stable budgets and robust rainy-day funds but some are experiencing shortfalls amid increasing costs and declining tax revenues.
- Financial metrics overall are probably the strongest since the pandemic but headwinds in fiscal year 2026 could pose greater fiscal management challenges.
- Developments of the past five years have led us to refine our methodology which includes adding cost of living and catastrophe losses per capita metrics to our evaluation.

Exhibit 1: State of the States Rank June 2025



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Conning Maintains "Stable" Outlook in 2025

Conning maintains our "stable" outlook for state credit quality in 2025, even though five years post-COVID states are again facing uncertainties, this time in the form of federal-level changes which will require prudent budget management.

Our "stable" view is consistent with our 2024 State of the States outlook and has been the general trend for the last five years. (Our view in 2020 was "negative" due to the threat of COVID-19, and in 2023 it was "declining" in anticipation of a weakening economy, higher inflation and tapering federal aid.)

In 2025, states face a period of significant transition as federal policies shift toward increased state responsibility, particularly in infrastructure, education and healthcare, where federal funding is expected to decrease from pandemic-era spending levels. Although states generally began fiscal year 2025 with stable budgets and robust rainy-day funds, some are experiencing shortfalls amid increasing costs and declining tax revenues (some are self-inflicted: 10 states reduced income tax rates or implemented automatic tax cuts in recent years, hampering their ability to withstand these new challenges). The fiscal outlook is further complicated by emerging challenges ranging from immigration and high-impact weather events to housing affordability (which remains a concern across regions) and insurance market stability.[1]

Nevertheless, Conning's "stable" outlook is based on our belief that states have demonstrated sufficient fiscal resilience to navigate this combination of known challenges and unpredictable developments, although they differ significantly in balance-sheet strength, governance, socioeconomic conditions and the ability to leverage an improved economic environment. Several states have implemented governance mechanisms to trigger special legislative sessions if federal actions substantially impact their budgets. Others have set aside funds to counter federal funding cuts or have created special committees to monitor and respond to federal actions affecting state finances.

Developments of the last five years have led us to refine our methodology for this year's State of the States analysis and we have made strategic adjustments to enhance the predictive nature of our state rankings (see "Methodology Changes" on page 3).

This year's rankings show significant movement across the board, reflecting both our refined methodology and changing economic conditions. Idaho claimed first place with an impressive 11-position climb. Northeastern states like Connecticut (9), New York (21), Delaware (25) and Massachusetts (15) also showed remarkable improvement, jumping 30, 23, 20 and 18 positions, respectively, partly due to their resilience against catastrophic losses.

Among our top five states, Utah (2), North Carolina (3), Nevada (4), and Virginia (5) all showed notable improvements based on their overall economic strength. At the other end of the spectrum, Louisiana fell two places to 50, preceded by Oregon (49), Illinois (48), West Virginia (47), and New Mexico (46), with Kansas experiencing the steepest decline of 28 positions to 44, as a result of various economic challenges.

[1] Source: ©2025 Conning, Inc., "Crisis in Homeowners Insurance 2024," Alan Dobbins, https://www.conning.com/insurance-expertise/conning-library

Methodology Changes

The 2025 State of the State report includes changes in our metrics and weighting.

Catastrophe Losses per Capita (weighted 4%), a new metric, reflects our recognition that climate risk has emerged as a critical factor in state credit quality analysis. States face mounting pressure from recurring disasters that we believe will have long-term effects on their finances. Climate-related infrastructure damage creates substantial financial demands on state governments, both in repair costs and preventative investments, and adds to potential revenue challenges as tax bases get adversely affected during and after high-impact weather events. States experiencing frequent catastrophic events, such as Louisiana, which during the past five years averaged $1.48 a year per capita in catastrophe losses (compared to Nevada, where the average was $0.01 per capita), often see population outflows, further eroding the tax base. Proactive climate vulnerability assessments and adaptation planning offer a path forward, and we believe measuring a state's exposure to these risks provides essential insight into its long-term fiscal outlook.

Conning believes that the introduction of Cost of Living and Catastrophe Losses per Capita metrics has significantly enhanced our analytical framework by capturing economic pressures and disaster impacts that directly affect state finances.

Cost of Living Index (weighted 4%), also a new metric, addresses another crucial determinant of state credit quality. Population changes are correlated to the cost of living and significantly impact credit quality because when people leave a state, they effectively transfer their share of public liabilities to the remaining population base, a potentially greater challenge for states with high fixed costs. This can drive remaining residents to seek affordable alternatives elsewhere, perpetuating a cycle of declining population. A shrinking population can substantially reduce state tax revenue unless there are corresponding tax rate increases. Conversely, states with positive population trends can maintain lower tax rates, enhancing their competitiveness. Recent migration data confirms cost of living has become an increasingly important factor in relocation decisions (it was notably prominent during the pandemic when remote work arrangements enabled unprecedented geographic mobility), ranging from 8.2% in 2022 to 2.7% in 2023 according to United Van Lines.[2] This underscores the importance of including this metric in our comprehensive state assessment.

The two new metrics replace **Debt Per Capita** and **Gross Domestic Product Per Capita** (both weighed 8%). As this replacement left 8% of weighting unassigned, we added two percentage points to four other metrics deserving more emphasis: **Economic Debt as a percentage of Personal Income, Reserves, Tax Revenue Growth** and **Population Growth**. These four each now carry a 10% weighting.

[2] Source: ©2025 United Van Lines, "Annual 2024 United Van Lines National Movers Study," January 1, 2025, https://www.unitedvanlines.com/newsroom/2024-national-movers-study

State of the State Indicators: An Overview

The following sections present our 13 indicators with key takeaways and data visualizations that illuminate state performance across critical factors affecting fiscal health. These interactive elements showcase a broad array of issues - regional catastrophe loss patterns, the relationship between personal income and cost of living, the balance of reserves versus fixed costs - helping identify both vulnerabilities and strengths across the national landscape. The disparities in balance sheet strength, economic conditions, and socioeconomic trends revealed through these metrics help us determine which states can successfully navigate these headwinds while maintaining credit quality in the coming year.

Our comprehensive analysis of state economic conditions involves key metrics such as real GDP growth, GDP per capita, employment growth, and unemployment rates. We scrutinize real GDP growth to identify economic trends, focusing on sectors delineated by the North American Industry Classification System (NAICS), with states often showcasing specialization in specific industries.

As a whole, financial metrics are probably the strongest they have been since the pandemic broke out in 2020. However, headwinds in fiscal year 2026 could significantly change that, which comes back to how states will navigate these challenging times.

Economic factors play a pivotal role in shaping a state's economic landscape but socioeconomic elements such as population shifts, income levels, and tax policies also determine a state's well-being. We emphasize the importance of population dynamics as a key indicator of a state's future fiscal health, as financial resources typically grow in tandem with the tax base. We also consider affordability, analyzing housing price fluctuations and personal income benchmarks. Our assessment of a state's tax climate aims to isolate and predict future socioeconomic trends.

Cost of living has proven to be a powerful indicator, influencing interstate migration patterns and tax bases, and catastrophe losses provide critical insights into future infrastructure costs and budget pressures that may impact credit quality. Together, these metrics offer a holistic view of state economic sustainability, revealing how catastrophe events create a feedback loop: driving up insurance costs, raising the overall cost of living, harming population retention, impacting property values, and ultimately determining a state's fiscal capacity to maintain services and manage debt obligations.

Throughout our discussion of economic and socioeconomic indicators, we highlighted how several factors drove tax revenues (i.e., economic growth, inflation, home price appreciation, federal aid) and their impact on a state balance sheet. As a whole, financial metrics are probably the strongest they have been since the pandemic broke out in 2020. However, headwinds in fiscal year 2026 - such as declining federal aid and rising costs for infrastructure, education and healthcare - could pose significantly greater fiscal management challenges to states.

End Rank

Exhibit 1 Best Overall Ranked States, 2020 - 2025

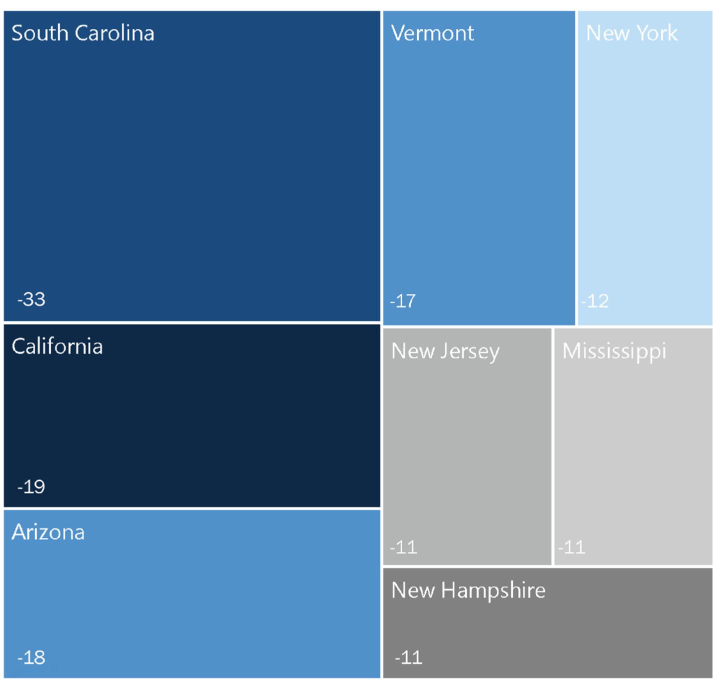
Overall Rank	
2025	Idaho
2024	Nebraska
2023	Texas
2022	Florida
2021	Utah
2020	Utah

Prepared by Conning, Inc. Source: ©2025 Conning, Inc.

- This year we introduced two new metrics: Cost of Living and Catastrophe Losses per Capita.
- Cost of living significantly influences interstate migration patterns and tax bases, while catastrophe losses forecast future infrastructure costs and budget pressures that could impact credit quality.
- Catastrophe events also drive up insurance costs, directly affecting overall cost of living and creating a feedback loop that influences population retention, property values, and ultimately states' fiscal capacity to maintain services and manage debt obligations.
- Several states climbed significantly in rankings including Idaho (+11 to first), Arkansas (+17) and Alabama (+12). Northeastern states like Connecticut (+30) and New York (+23) benefited from low catastrophe losses per capita, while Arkansas and Alabama gained from a relatively low Cost of Living Index.
- Among top five states, Utah (+8), North Carolina (+5), Nevada (+7), and Virginia (+4) showed notable improvements, while Louisiana fell two places to last overall, followed by Oregon (-6), Illinois (+1), West Virginia (-9), and New Mexico (-16). Kansas experienced the steepest decline: -28 to 44.

Economic Debt as a Percentage of Personal Income

Exhibit 2 Largest Decreases in Economic Debt as a % of Personal Income, 2023-2024, (%)

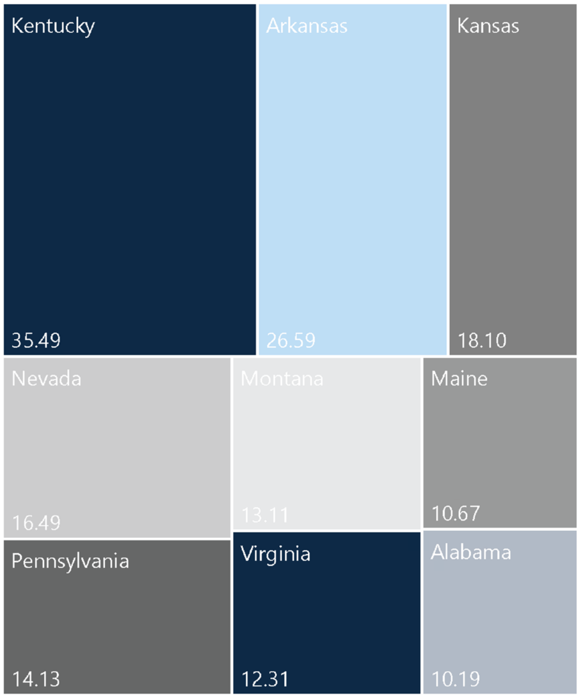


Prepared by Conning, Inc. Sources: ©2025 Moody's Investor Services, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates - used with limited permission, "Revenue growth and lower ANPLs boost capacity to manage long-term debt" (October 7, 2024), and Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, per capita personal income", (April 17, 2025).

- States' total long-term debt burden as calculated by Conning dropped by 0.9% even though reported net pension liabilities, the largest long-term liability for most states, increased by 14% nationwide in part due to disappointing investment performance.
- Total net tax-supported debt, the second-largest liability for most states, fell by 0.5%, while other post-employment benefit (OPEB) liabilities decreased by 13.1%. States paid down debt, limited new borrowings, or made additional pension or OPEB contributions, helped by budget surpluses or increased reserves.
- As personal income increased, debt burden as a percentage of personal income improved to 6.8% in this year's report from 7.2% in the 2024 report. The top five states with the smallest burdens remained mostly the same; Arizona improved four spots to 4 and Oklahoma dropped four spots to 6. Nebraska remained top of the list.
- The bottom five states remained the same; Connecticut (50) and New Jersey (49) swapped last place. Illinois (48), Hawaii (47), and Delaware (46) kept their positions.
- In terms of biggest movers, North Dakota (24) and Alaska (33) dropped 14 and 10 spots, respectively, while South Carolina (32) and New Hampshire (18) improved by 9 and 7 spots, respectively; 16 states kept their previous rank.

Reserves

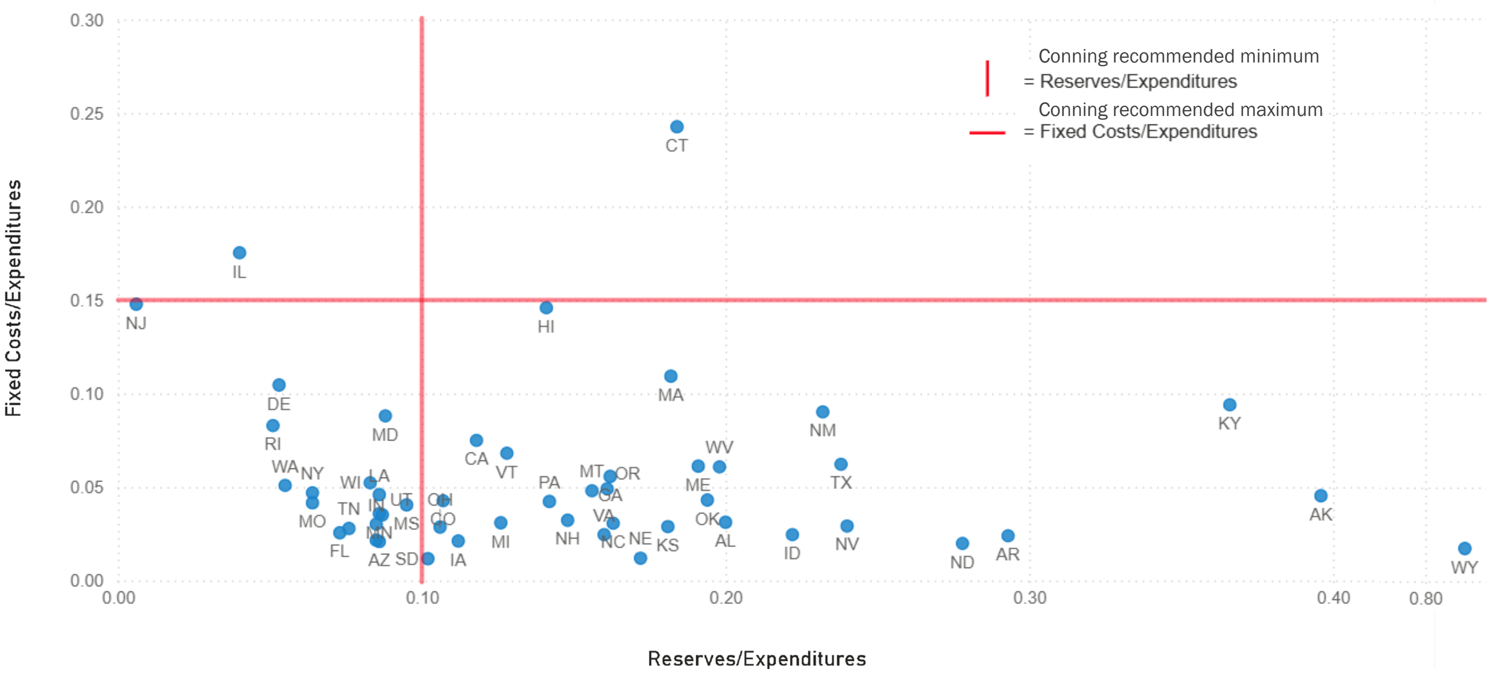
Exhibit 3A Largest Percentage-Point Increases in Reserves Since 2019



Prepared by Conning, Inc. Source: ©2025 The National Association of State Budget Officers (NASBO), "The Fiscal Survey of States - Fall 2024."

- ► The median rainy-day fund balance as a percentage of general fund spending reached 13.5% in fiscal 2024, up from 12.7% the year prior reflecting continued strong reserve positions.
- ► Approximately half of all states reported increased rainy-day fund balances with 15 states achieving record-high reserves in fiscal 2024.
- ► Kentucky, Alaska and Alabama added 10.9, 7.5 and 5.3 percentage points, respectively, while California, New Mexico and Nebraska lost 22.8, 16.4 and 14.6 percentage points, respectively.
- ► Rainy-day fund levels varied significantly across states in fiscal 2024, ranging from 0.6% (New Jersey) to 82.8% (Wyoming) of expenditures, demonstrating different policy approaches to reserves. States with more volatile revenue sources tend to have higher reserves, such as Wyoming (1), and oil-production states like Alaska (2) ranked highly.
- ► In fiscal 2024, 22 states held total balances greater than 15% of general fund expenditures, Conning's recommended minimum reserve threshold, up from 18 the year before. Some states have filled their rainy-day funds to their maximum balances, meaning that additional dollars are redirected to other uses.
- ► Reducing expenditures is difficult, which is why we evaluate reserve levels and fixed costs as key indicators of budget flexibility, with optimal positioning in the lower right quadrant of Exhibit 3B.

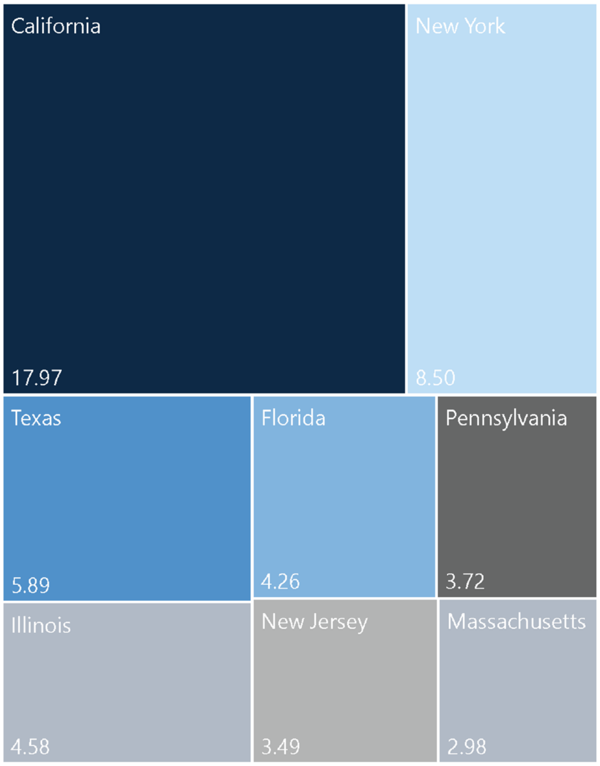
Exhibit 3B Fixed Costs & Reserves vs. Expenditures, 2024



Prepared by Conning, Inc. Source: ©2025 The National Association of State Budget Officers (NASBO), The Fiscal Survey of States - Fall 2024, Fixed Costs/ Expenditures: Made from data available from Investortools.

Tax Revenue Growth

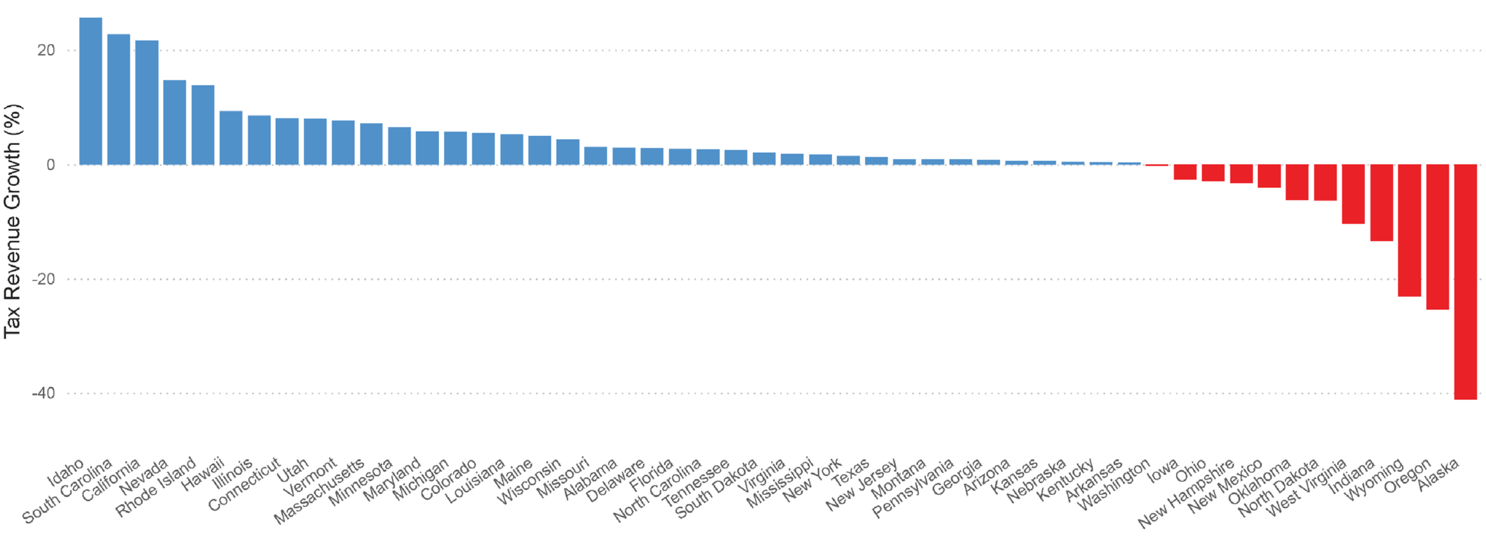
Exhibit 4A Largest Contributors to Total National Tax Collections, 2024 (%)



Prepared by Conning, Inc. Source: Census Bureau, U.S. Department of Commerce (2025), "Quarterly Summary of State & Local Tax Revenue Data Tables."

- State government tax collections increased by 5.0% in 2024, having dipped by 4.4% in 2023, returning to levels seen in 2022. This follows two years of robust growth (+35%) post-pandemic.
- Sales tax revenues rose by 3.5%, with both inflation and economic growth bolstering collections, benefiting states that rely heavily on sales taxes and aiding their fiscal stability.
- Income taxes grew despite several states having lowered income tax rates. Property taxes decreased by 6.9% year-over-year.
- Total state tax contribution sources: Sales, 46.1%; Income, 43.5%, License, 4.7%, Other, 4.0%, Property, 1.6%.
- Several previously underperforming states showed significant improvement, with California climbing 46 spots to rank third overall. South Carolina and Idaho were also major movers, rising 27 and 26 spots to rank second and first, respectively.
- Alaska remained at the bottom (50), experiencing the largest revenue decline for the second consecutive year. New Hampshire saw a dramatic reversal, dropping 41 spots after ranking first the prior year. More detail can be found in Exhibit 4B.

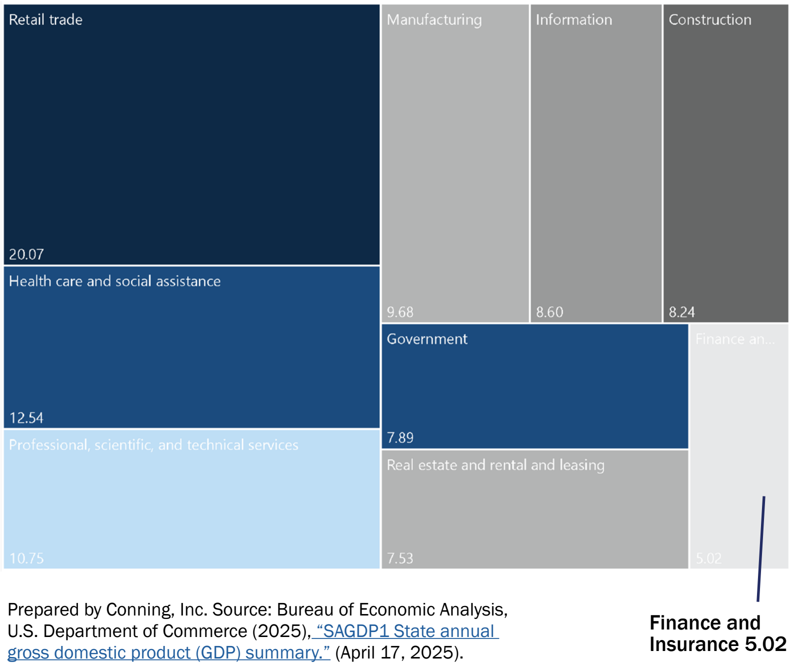
Exhibit 4B Tax Revenue Growth by State, 2024



Prepared by Conning, Inc. Source: Census Bureau, U.S. Department of Commerce (2025), "Quarterly Summary of State & Local Tax Revenue Data Tables."

GDP Growth

Exhibit 5 U.S. GDP Growth by NAICS Sector, 2024 (%)

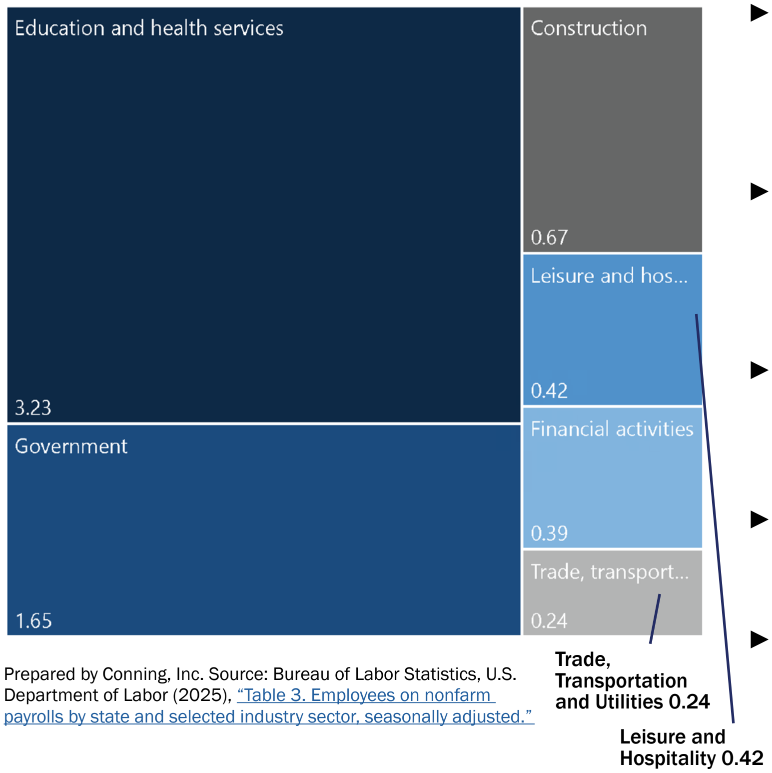


Prepared by Conning, Inc. Source: Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAGDP1 State annual gross domestic product (GDP) summary." (April 17, 2025).

- National real GDP expanded by 2.8% in 2024 (up from 2.5% in 2023) with growth in 48 states, ranging from 4.5% in Utah to 0.4% in South Dakota. Only Iowa (-0.5%) and North Dakota (-0.7%) experienced declines.
- Our analysis uses real GDP to measure state economic growth, eliminating inflation effects to focus on actual output.
- Retail trade increased in all states, leading growth in 30 states including Utah (the fastest-growing state). Nondurable goods manufacturing grew in 49 states and led growth in four states including South Carolina (second-fastest growth). Agriculture, forestry, and fishing increased in 36 states and led growth in two states including Idaho (third-fastest growth).
- Regional performance varied significantly: Far West (3.4%), Southwest and Southeast (both 3.3%) led growth, while the Great Lakes (2.2%), Mideast (2.3%), and Plains (1.0%) fell below the national average.
- Professional services and healthcare showed strong performance nationwide, while mining, utilities, and durable goods manufacturing sectors underperformed, creating notable variations in state economic outcomes.

Employment Growth

Exhibit 6 U.S. Employment Growth by NAICS Industry, 2024 (%)

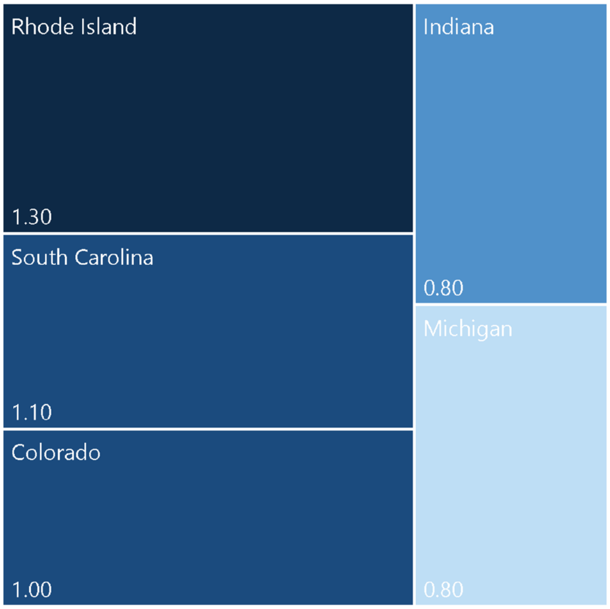


Prepared by Conning, Inc. Source: Bureau of Labor Statistics, U.S. Department of Labor (2025), "Table 3. Employees on nonfarm payrolls by state and selected industry sector, seasonally adjusted."

- Employment growth reflects a state's ability to support population expansion through new jobs and industries. Since people often relocate for work, states ranking high in employment growth typically perform well in population growth.
- Idaho, Utah, and South Carolina were the top three states for employment growth and also ranked well in population growth (6, 3, and 4 respectively). However, Alaska (4) and Hawaii (5) in employment growth ranked just 39 and 46 in population growth.
- Employment growth slowed to 0.9% from 1.3% year-over-year in 2024. Education (+3.2%) and Government (+1.6%) led sector growth, while Manufacturing (-0.8%) and Professional and Business Services (-0.3%) declined.
- Five states experienced employment declines (Indiana, West Virginia, Massachusetts, Arizona, and Iowa), while others saw growth ranging from 0.2% (Colorado) to 2.7% (Idaho).
- Hawaii made the largest improvement, jumping 44 spots to fifth. Mississippi (8), Oregon (26), Louisiana (25), and Arkansas (9) each climbed more than 20 positions.

Unemployment Rate

Exhibit 7 Largest Unemployment Rate Percentage-Point Increase, 2023-2024

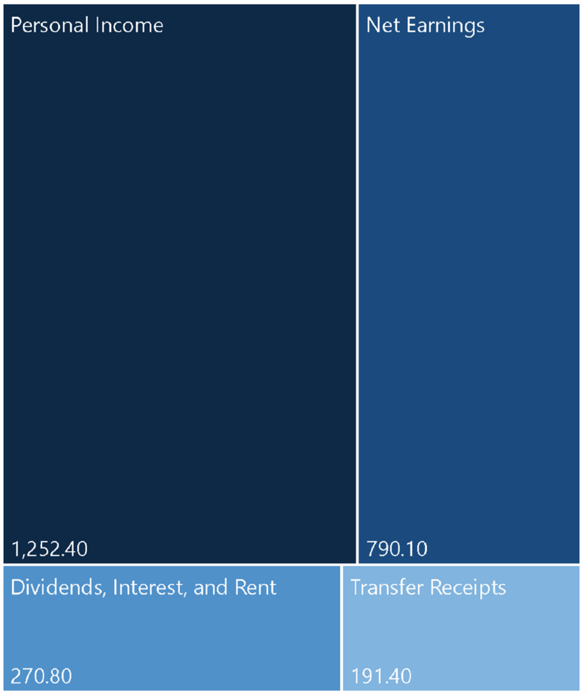


Prepared by Conning, Inc. Sources: Bureau of Labor Statistics, U.S. Department of Labor (2025), "Unemployment Rates for States, 2024 Annual Averages," and Bureau of Labor Statistics, U.S. Department of Labor (2025), "Unemployment Rates for States, 2023 Annual Averages."

- The U.S. unemployment rate increased in 2024 by ~40 basis points. The top states remained consistent, with only Maryland (7) dropping out as Nebraska moved into the top five alongside South Dakota, Vermont, North Dakota, and New Hampshire.
- Connecticut showed the most improvement, climbing 21 spots to 15. Arizona and Delaware also performed well, each advancing 14 positions to 24 and 28, respectively.
- High unemployment rates negatively impact economies by increasing public assistance needs, reducing consumer spending, and lowering productivity, ultimately resulting in decreased incomes.
- Nevada (50) and California (49) remained at the bottom, with Kentucky (48), Illinois (47), and Michigan (46) completing the lowest five. Kentucky and Michigan fell four and eight spots, respectively.
- Just three states had lower unemployment rates in 2024 than 2023 (each improving by 0.1%): Arizona and Pennsylvania (tied at 24), and Delaware (28), while Connecticut (15) and South Dakota (1) maintained their previous year's rates.

Personal Income Growth

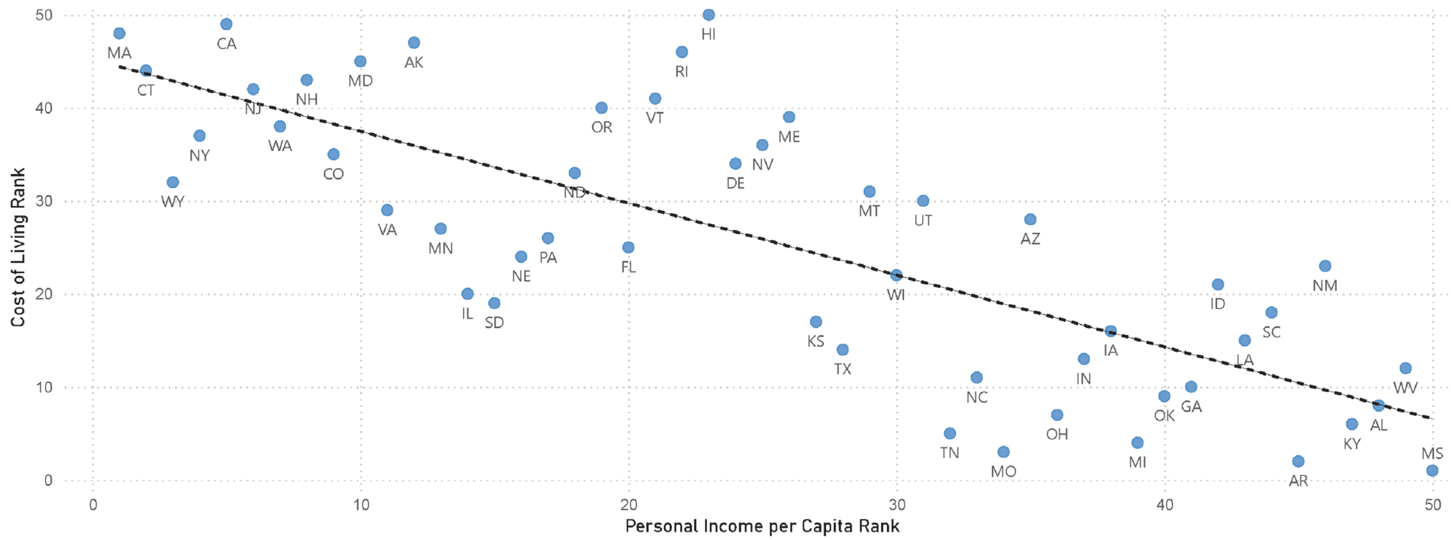
Exhibit 7A Growth in Select Components of U.S. Personal Income (in Billions of Dollars)



Prepared by Conning, Inc. Source: Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, per capita personal income", (April 17, 2025).

- We focus on personal income growth because it correlates with population changes, which we consider a useful predictor of future credit quality as a state's financial resources typically grow with its tax base. See Exhibit 10B.
- Personal income growth remained strong at 5.4% in 2024 (following 5.2% in 2023, 2.4% in 2022, 7.4% in 2021, and 6.6% in 2020), with increases across all states ranging from 6.9% in North Carolina to 0.1% in North Dakota.
- North Carolina led with the highest growth (moving up 17 places), followed by South Carolina (+3), California (+42), Utah (-2), and Idaho (+8). The lowest performers were North Dakota (-20), Nebraska (-40), Iowa (unchanged), South Dakota (-3), and Kansas (-32).
- Nationally, the increase in personal income was driven by growth in earnings, transfer receipts, and property income. Within the earnings component, healthcare and social assistance, state and local government, and professional/scientific/technical services were the leading contributors to growth
- Growth in Medicaid benefits was the leading contributor to personal income increases in North Carolina and California (ranked 1 and 3), while in South Carolina (2) state and local government earnings led growth.

Exhibit 7B Personal Income per Capita Rank vs Cost of Living Rank, 2024



Prepared by Conning, Inc. Sources: Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, per capita personal income", (April 17, 2025), and The Council for Community and Economic Research (2025), "2024 State Cost of Living Index."

Personal Income per Capita

Exhibit 8A "Best Value" U.S. States: Comparing states by a Per Capita Income and Cost of Living Metric (Rank)[3]

"Best Value" States	
Wyoming	1
New York	2
Virginia	3
Illinois	4
New Mexico	47
Alaska	48
Rhode Island	49
Hawaii	50

Prepared by Conning, Inc. Sources: Census Bureau (Population Division), U.S. Department of Commerce (2025), "Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia and Puerto Rico: April 1, 2020 to July 1, 2024 (NST-EST2024-POP)," and Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, per capita personal income", (April 17, 2025).

[3] Rankings determined by normalizing personal income per capita (PICap) for each state by using cost of living index (COLI) where the "average" is 100, then dividing PICap into COLI.

- Personal income per capita rose by 5.7% in 2024 (up from 4.7% in 2023), with Massachusetts ranking first and nearly doubling Mississippi's lowest-ranked per capita income.
- Income levels are strongly influenced by industry composition, with finance, technology, and professional services typically offering higher wages.
- We track personal income per capita because a wealthier population can theoretically support a higher tax burden needed for higher debt levels. States are challenged when wealthy residents relocate, leaving the debt to be supported by a smaller, potentially less affluent population.
- The rankings remained relatively stable: the top 10 states maintained their positions with Wyoming as the only significant mover (up five spots to 3). Similarly, the bottom 10 states remained unchanged though in slightly different order. The biggest declines were North Dakota (-7), Iowa (-6), and Texas (-5).
- States with the highest per capita income often have more burdensome tax structures, though New Hampshire, Wyoming, and Alaska are notable exceptions. Lower income taxes in some states may attract residents, potentially increasing personal income levels over time.
- Higher personal income levels frequently correlate with higher costs of living, requiring larger incomes to maintain comparable living standards across different states. But there are some exceptions, like Wyoming, which is relatively affordable taking per capita income into account, and Hawaii, which is quite the opposite.

Exhibit 8B Population Growth vs Personal Income Growth, 2014-2024

Prepared by Conning, Inc. Source: Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, per capita personal income", (April 17, 2025).

One-Year Change in Home Prices

Exhibit 9 Property Tax as % of Total Tax Revenue, 2024 (%)

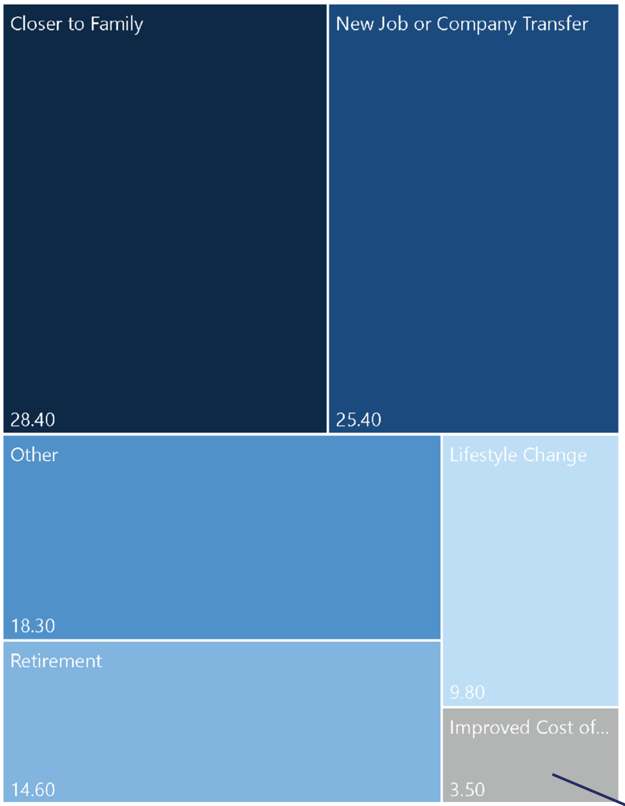
Property Tax as % of Total Tax Revenue	
Nebraska	5
Tennessee	4
Texas	2
Michigan	-5
Arizona	-4
Virginia	-3

Prepared by Conning, Inc. Source: Census Bureau, U.S. Department of Commerce (2025), "Quarterly Summary of State & Local Tax Revenue Data Tables."

- House prices rose in 49 states between Q4 2023 and Q4 2024. The top five states for annual appreciation: are Connecticut (8.3%), New Jersey (8.3%), Wyoming (8.3%), Vermont (8.1%), and Rhode Island (7.6%). Only Mississippi showed a decline (-0.2%).
- The U.S. housing market has maintained positive annual appreciation every quarter since early 2012, with the New England region performing strongly for two consecutive years. This price growth primarily reflects an increasingly tight housing inventory nationwide.
- Rising home prices typically boost property tax collections with approximately an 18-month lag, while also giving local governments flexibility to potentially lower tax rates. Property taxes contribute little to state tax revenues in the aggregate (~2%) but are important for states more reliant on it.
- The data likely reflects affordability challenges in states that previously ranked high during the pandemic but now score relatively low: Arizona (48), Colorado (47), Florida (46), California (45), and Texas (44). Mississippi (50) and Louisiana (49) were the two lowest-ranked states this year. Both also have very poor population change ranks (48 and 47, respectively).
- For perspective, the FHFA's national House Price Index has increased 57.8% since July 2019, significantly outpacing the Consumer Price Index, which rose just 22.8% between September 2019 and September 2024. This disparity underscores the exceptional growth in housing costs relative to general inflation.

Population Change

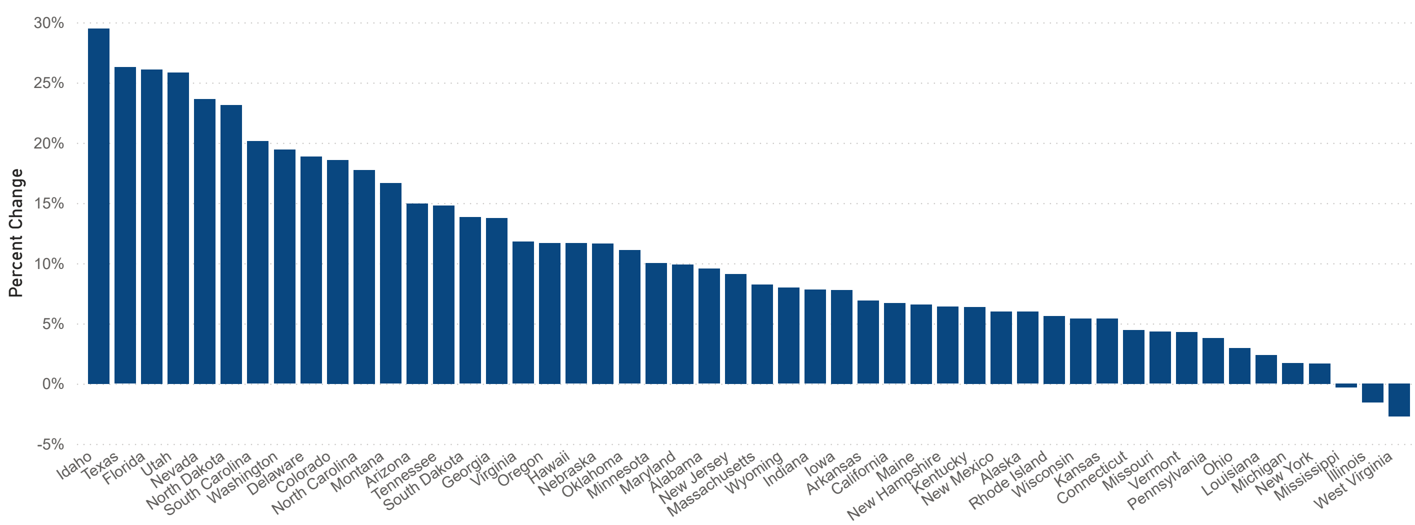
Exhibit 10A Top Reasons for Moving (%)



Prepared by Conning, Inc. Source: Census Bureau (Population Division), U.S. Department of Commerce (2025), "Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia and Puerto Rico: April 1, 2020 to July 1, 2024 (NST-EST2024-POP)."

- Population shifts serve as a reliable indicator of future credit quality, as states experiencing growth often maintain lower tax rates, thereby enhancing their appeal. For long-term trends, see Exhibit 10B.
- In 2024, state population growth rebounded from COVID-19 lows, with 40 states growing faster than their 15-year average (2009-2024) and the median rate increasing to 0.71%, up from the 15-year median of 0.57%, countering the long-term slowing trend affecting most states.
- Florida led growth at 2.0% annually, while Vermont, West Virginia, and Mississippi showed virtually no change. International migration boosted Florida (1), Texas (2), and Nevada (5) into the top five, while Utah (3) and South Carolina (4) remained popular destinations for retirees and residents fleeing urban centers experiencing rising costs.
- Northeastern states made remarkable gains in rankings — Connecticut (+27), New York (+22), New Jersey (+17), and Massachusetts (+17) — with the region's median growth surpassing the Midwest and West despite its aging population and low birth rates thanks to international migration.
- The West fell from its traditional position as the fastest-growing region to become the slowest in 2024, with Hawaii (46), New Mexico (44), Wyoming (43), and Oregon (42) dragging down the regional median despite other Western states ranking highly.

Exhibit 10B Population Growth, 2009-2024



Prepared by Conning, Inc. Source: Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, per capita personal income", (April 17, 2025).

Cost of Living Index

Exhibit 11 Impact of Cost of Living Metric on Overall Ranking (Change in Rank)

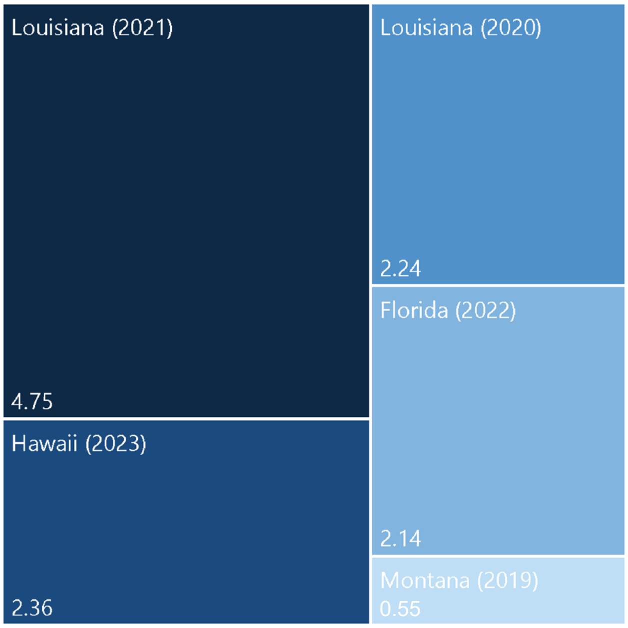
Impact Including COLI on Overall Rank	
Nebraska	5
New Tennessee	4
Texas	2
Michigan	-5
Arizona	-4
Virginia	-3

Prepared by Conning, Inc. Source: The Council for Community and Economic Research (2025), "2024 State Cost of Living Index."

- For this year's report we've incorporated the Council for Community and Economic Research's Cost of Living Index, with Mississippi, Arkansas, and Missouri ranking as the most affordable states, while Hawaii (50), California (49), Massachusetts (48), Alaska (47), and Rhode Island (46) ranked as least affordable.
- This metric provides essential context when comparing economic data across states and correlates strongly with fiscal policy requirements and housing affordability, key factors that influence states' long-term economic competitiveness and population stability.
- Hawaii experienced the largest cost of living increase since 2019 (+18.1%), followed by Oregon (+7.8%), Arizona (+6.9%), and Montana (+6.5%), while states like New Mexico, New Hampshire, Nevada, and West Virginia kept their cumulative increases below 3% since the pre-pandemic period.
- Cost of living differences significantly influence interstate migration patterns, explaining why Texas (14), South Carolina (18) and North Carolina (11) consistently attract more residents than higher-cost states like Hawaii (50) and California (49).
- Population changes also impact a state's tax capacity, with departing residents leaving behind fixed liabilities that must be supported by a smaller population base, potentially triggering a cycle of increasing tax burdens, rising costs, and further outmigration.

Catastrophe Losses per Capita

Exhibit 12 Highest One-Year Per Capita Catastrophe Loss, 2019 - 2023 ($)



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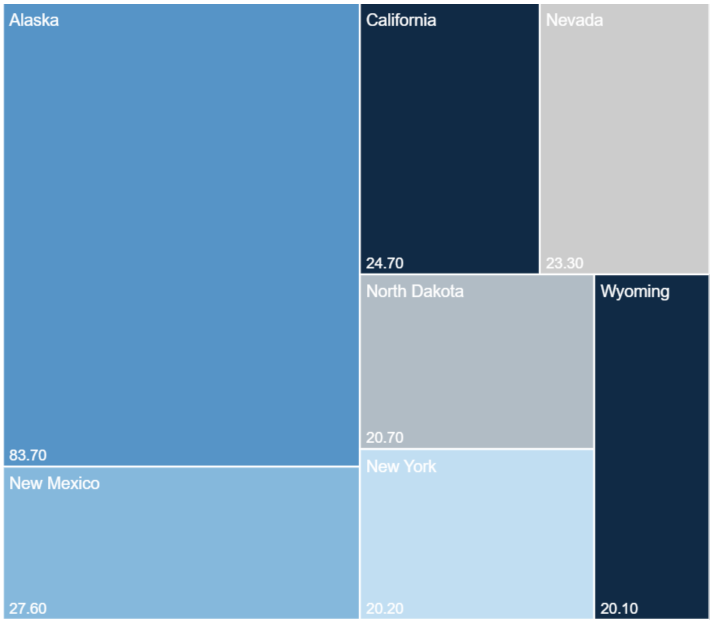
- Physical climate risks increasingly threaten state credit quality, with NOAA reporting a record 28 disasters reaching $1 billion or more in damages in 2023 alone. These escalating costs strain state budgets, potentially reducing fiscal flexibility and requiring higher debt issuance, which directly impacts states' long-term creditworthiness.
- Climate-related costs show significant geographic variation, with coastal and wildfire-prone states facing disproportionate financial burdens. Rising insurance premiums and property devaluations in high-risk areas can erode property tax bases and trigger outmigration, creating a cyclical decline in state revenues that compounds fiscal challenges.
- Including disaster costs per capita creates a forward-looking metric for investors evaluating long-term municipal credit quality. This data helps quantify a state's exposure to physical climate risks and its potential resilience.
- Over a five-year period (2019-2023), catastrophe losses per capita were relatively close among the top 24 states, with Nevada ranking 1 and North Dakota 24. Every state in the Northeast scores in the top half in this metric, in part improving their overall rank this year as a cohort by 13 ranking spots on average.
- The most dramatic variations occurred at the bottom of the rankings, with Louisiana experiencing more than double the catastrophe costs per capita compared to 49th-ranked Iowa. Other Midwestern states also suffered from above-average catastrophe activity, including Nebraska (48) and South Dakota (47), as did Florida (46).

Tax Foundation’s State Tax Competitiveness Index

Exhibit 13 Tax Revenue Volatility by State, 2018-2023[4]



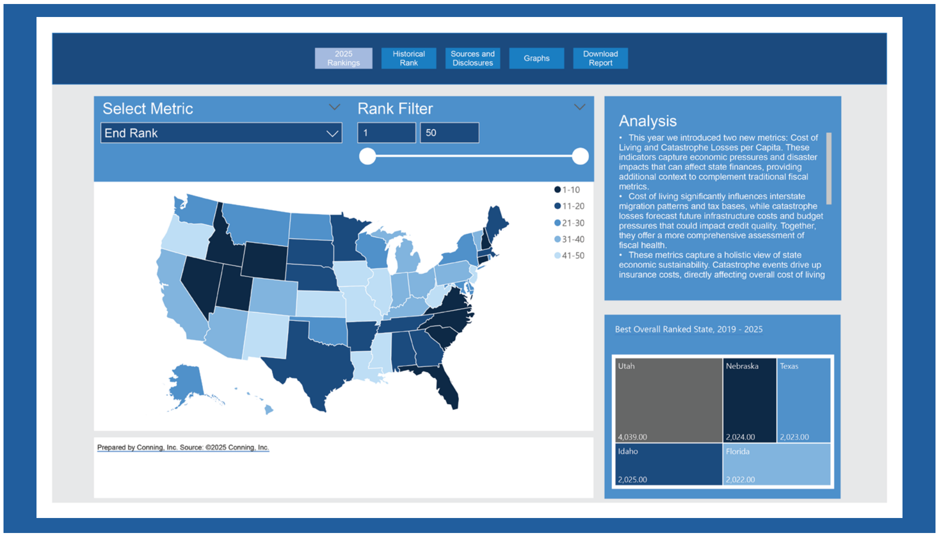
Prepared by Conning, Inc. Source: ©2025 The Pew Charitable Trusts, “State Tax Revenue is Becoming More Volatile,” John, Hamman, Gayathri Venu and Justin Theal, March 27, 2025.

[4] Pew’s volatility scores measure the variation in year-over-year percentage changes over the five-year period ending in fiscal 2023, based on a calculation of standard deviation. A low score means that revenue growth rates were largely consistent throughout the analysis period, and a high score indicates that growth rates varied more dramatically.

- The top rankings went to a trio of Western states whose governments don’t touch individual income (Wyoming, South Dakota and Alaska). Generally, higher-ranked states are similar in not levying taxes on corporate income, individual income or sales.
- States that avoid imposing one or more of the major taxes must lean heavily on other types of taxes, operate on leaner budgets, take advantage of natural resources like oil and gas, or have demographics (like Florida) where other taxes generate surprising revenue.
- State tax revenue is now much more unpredictable. Between 2018 and 2023, annual tax revenue growth was more volatile than usual (+40% greater than the long-term trend), thanks to a perfect storm of pandemic disruptions, changes in federal tax policy, and an economy that kept shifting gears.
- Alaska experienced the most significant volatility with a score of 83.7, followed by New Mexico at 27.6 and California at 24.7 (see Exhibit 13). Much of Alaska’s and New Mexico’s instability stemmed from severance tax revenues that were severely impacted by oil price fluctuations. Personal income tax collections also contributed significantly to the volatility in both New Mexico and California.

Interactive Analysis Available

Please visit our website to explore State of the State metrics.



You may also scan the QR code below to access the interactive analysis.

Conning's Municipal Credit Research Team

Conning manages more than $6 billion of municipal bonds held in client portfolios. Its dedicated municipal research team follows the firm's existing holdings and makes recommendations for new purchases.

Karel Citroen is a Managing Director of Municipal Research at Conning and currently serves on the Governmental Accounting Standards Advisory Council (GASAC), where he represents the insurance investment community. Prior to joining Conning in 2015, he was in municipal portfolio surveillance with MBIA and previously was a banking and securities lawyer for financial institutions in the Netherlands. Mr. Citroen earned a law degree from the University of Amsterdam, an MBA from Yale University, and an LL.M. in Governance, Compliance and Risk Management from the University of Connecticut. He is a member of the National Federation of Municipal Analysts.

About Conning

Conning (www.conning.com) is a leading investment management firm with a long history of serving the insurance industry. Conning supports institutional investors, including insurers and pension plans, with investment solutions, risk modeling software, and industry research. Founded in 1912, Conning has investment centers in Asia, Europe and North America.

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Appendix A — Methodology and Description of Indicators

Conning analyzes 13 metrics indicative of state credit health to calculate our state rankings, measuring business climate, financial metrics, and economic data including income levels and housing activity.

ECONOMIC DEBT % PERSONAL INCOME (10% weight)

A ranking of each state according to its economic debt as a percentage of 2024 annual personal income. Conning defines economic debt for each state as its net tax-supported debt + unfunded pension liabilities + unfunded other post-employment benefits (OPEB) liabilities. Each state's economic debt is then divided by its personal income.

©2024 Moody's Investor Services, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates - used with limited permission, "Revenue growth and lower ANPLs boost capacity to manage long-term debt" (October 7, 2024), https://www.moodys.com/research/States-US-Revenuegrowth-and-lower-ANPLs-boost-capacity-to-Sector-Profile--PBM_1413133?cid=GAR9PTU7VKT2671#9555855cae882a2bf349e023f40de8d

Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, percapita personal income", (April 17, 2024), https://apps.bea.gov/itable/?ReqID=70&step=1&_gl=1*oq17e5*_ga*NTgyNDMxNDU0LjE3NDM2MTAxNzk.*_ga_

RESERVES (10% weight)

A ranking of states that compares available funds to expenditures. Each state's total funds — the sum of its General Fund — balance and budget stabilization fund are divided by state expenditures.

©2024 The National Association of State Budget Officers (NASBO), "The Fiscal Survey of States - Fall 2024", https://www.nasbo.org/reports-data fiscal-survey-of-states

TAX REVENUE GROWTH (10% weight)

A ranking of states by annual total tax revenue growth 2023-2024.

Census Bureau, U.S. Department of Commerce (2024), "Quarterly Summary of State & Local Tax Revenue Data Tables," https://www.census.gov/data/tables/2024/econ/qtax/historical.Q4.html#list-tab-633140115

GROSS DOMESTIC PRODUCT (GDP) GROWTH (8% weight)

A ranking of each state's annualized real-dollar GDP growth.

Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAGDP1 State annual gross domestic product (GDP) summary" (April 17, 2024), https://apps.bea.gov/itable/?ReqID=70&step=1&_gl=1*oq17e5*_ga*NTgyNDMxNDU0LjE3NDM2MTAxNzk.*_g

EMPLOYMENT GROWTH (8% weight)

A ranking of states based on year-over-year total employment growth from March 2023 to March 2024 (preliminary).

Bureau of Labor Statistics, U.S. Department of Labor (2025), "Table 3. Employees on nonfarm payrolls by state and selected industry sector, seasonally adjusted" https://www.bls.gov/ news.release/laus.t03.htm

Appendix A — Methodology and Description of Indicators *(continued)*

UNEMPLOYMENT RATE (8% weight)

A ranking of states by the average their average unemployment rates over 2024.

Bureau of Labor Statistics, U.S. Department of Labor (2025), "Unemployment Rates for States, 2024 Annual Averages" https://www.bls.gov/lau/lastrk24.htm, and Bureau of Labor Statistics, U.S. Department of Labor (2025), "Unemployment Rates for States, 2023 Annual Averages" https://www.bls.gov/lau/lastrk23.htm

PERSONAL INCOME GROWTH (8% weight)

A ranking of states by personal income growth, comparing year-over-year growth from 2023 to 2024.

Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, per capita personal income", (April 17, 2024), https://apps.bea.gov/itable/?ReqID=70&step=1&_gl=1*oq17e5*_ga*NTgyNDMxNDU0LjE3NDM2MTAxNzk.*_ga_

PERSONAL INCOME PER CAPITA (8% weight)

A ranking of states by personal income per capita.

Census Bureau (Population Division), U.S. Department of Commerce (2024), "Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia and Puerto Rico: April 1, 2020 to July 1, 2024 (NST-EST2024-POP)", https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html

Bureau of Economic Analysis, U.S. Department of Commerce (2025), "SAINC1 - State annual personal income summary: personal income, population, per capita personal income", (April 17, 2024), https://apps.bea.gov/itable/?ReqID=70&step=1&_gl=1*oq17e5*_ga*NTgyNDMxNDU0LjE3NDM2MTAxNzk.*_ga_

HOUSE PRICE INDEX (HPI) (8% weight)

A ranking of states based on one-year change House Price Index, 4Q2023 – 4Q2024.

Federal Housing Finance Agency (FHFA) (2025), "States (Seasonally Adjusted and Not Adjusted)," https://www.fhfa.gov/data/hpi/datasets?tab=quarterly-data

POPULATION GROWTH (10% weight)

A ranking of states by annual change in population from 2023 to 2024.

Census Bureau (Population Division), U.S. Department of Commerce (2024), "Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia and Puerto Rico: April 1, 2020 to July 1, 2024 (NST-EST2024-POP)", https://www.census.gov/data/tables/time-series/demo/popest/2020s-state-total.html

COST OF LIVING INDEX (4% weight)

The Cost of Living Index provides a practical and relatively accurate method for comparing living expense differences across areas.

The Council for Community and Economic Research (2025), "2024 State Cost of Living Index" , https://www.coli.org/products/quarterly-index-and-publications/

Appendix A — Methodology and Description of Indicators *(continued)*

CATASPTROPHE LOSSES PER CAPITA (4% weight)

Catastrophe losses per population of the states, expressed as $/population.

TAX FOUNDATION'S STATE TAX COMPETITIVENESS INDEX (4% weight)

The tax climate report comparing states' tax systems intending to show how well states structure their systems and offering ideas for improvement.

© 2025 Tax Foundation, "2025 State Tax Competitiveness Index," https://taxfoundation.org/wp-content/uploads/2024/10/TF_25_STCI_10-30.pdf

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Appendix B—State Rankings by Credit Indicator

State	Economic Debt % PERSONAL INCOME	Reserves	Tax Rev Growth	GDP Growth	Employment Growth	Unemployment Rate Avg	Personal Inc Change YoY	Pers Inc/ Cap	HPI Change	Population Growth	COLI	Catastrophe $ per capita	Tax Climate	2025 End Rank
Weights:	10%	10%	10%	8%	8%	8%	8%	8%	8%	10%	4%	4%	4%	
Alabama	25	10	20	18	27	13	16	48	30	22	8	31	38	14
Alaska	33	2	50	41	4	45	6	12	27	39	47	5	3	23
Arizona	4	36	34	22	49	24	27	35	48	9	28	10	15	33
Arkansas	13	4	38	5	9	22	43	45	40	31	2	43	36	19
California	36	28	3	10	37	49	3	5	45	33	49	20	48	31
Colorado	23	30	15	39	45	38	36	9	47	16	35	44	32	40
Connecticut	50	14	8	23	29	15	23	2	1	18	44	18	47	9
Delaware	46	47	21	37	7	28	13	24	28	8	34	11	18	25
Florida	8	43	22	8	13	20	8	20	46	1	25	46	4	7
Georgia	14	19	33	12	34	22	15	41	31	13	10	27	26	13
Hawaii	47	25	6	40	5	7	9	23	37	46	50	45	42	34
Idaho	9	9	1	3	1	28	5	42	16	6	21	2	11	1
Illinois	48	49	7	44	42	47	45	14	6	35	20	33	37	48
Indiana	15	39	47	4	46	36	28	37	19	30	13	28	10	36
Iowa	5	29	40	49	50	7	48	38	24	25	16	49	20	43
Kansas	29	16	35	45	44	24	46	27	21	29	17	37	25	44
Kentucky	44	3	37	25	33	48	22	47	14	20	6	38	22	35
Louisiana	39	36	16	15	25	42	34	43	49	47	15	50	40	50
Maine	35	13	17	17	38	13	21	26	9	45	39	9	29	16
Maryland	42	34	13	35	32	7	17	10	18	24	45	19	46	22
Massachusetts	45	15	11	19	48	31	12	1	20	14	48	12	41	15
Michigan	31	27	14	36	28	46	38	39	36	34	4	16	14	39
Minnesota	16	36	12	43	11	7	41	13	29	26	27	41	44	20
Mississippi	28	33	27	27	8	15	32	50	50	48	1	34	27	45
Missouri	19	44	19	30	41	28	42	34	35	32	3	39	13	42
Montana	22	22	31	38	30	7	39	29	11	36	31	32	5	28
Nebraska	1	17	36	47	39	5	49	16	12	17	24	48	24	17
Nevada	10	6	4	20	40	50	7	25	15	5	36	1	17	4
New Hampshire	18	23	42	13	23	4	19	8	7	40	43	4	6	8
New Jersey	49	50	30	33	24	43	35	6	2	10	42	25	49	41
New Mexico	34	8	43	34	15	32	30	46	23	44	23	35	31	46

Appendix B—State Rankings by Credit Indicator

Weights:	10%	10%	10%	8%	8%	8%	8%	8%	8%	10%	4%	4%	4%	
State	Economic Debt % PERSONAL INCOME	Reserves	Tax Rev Growth	GDP Growth	Employment Growth	Unemployment Rate Avg	Personal Inc Change YoY	Pers Inc/ Cap	HPI Change	Population Growth	COLI	Catastrophe $ per capita	Tax Climate	2025 End Rank
New York	37	44	28	26	6	38	11	4	8	28	37	15	50	21
North Carolina	11	18	23	6	12	24	1	33	32	7	11	17	12	3
North Dakota	24	5	45	50	22	3	50	18	41	15	33	24	9	30
Ohio	21	31	41	24	31	38	24	36	13	38	7	26	35	38
Oklahoma	6	12	44	31	18	19	37	40	39	23	9	40	21	27
Oregon	30	20	49	42	26	36	26	19	42	42	40	30	30	49
Pennsylvania	40	24	32	28	19	24	44	17	17	41	26	21	34	37
Rhode Island	41	48	5	14	21	38	29	22	5	21	46	13	39	26
South Carolina	32	39	2	2	3	32	2	44	25	4	18	22	33	6
South Dakota	2	32	25	48	10	1	47	15	43	27	19	47	2	18
Tennessee	3	42	24	29	35	20	10	32	33	12	5	36	8	12
Texas	27	7	29	9	14	32	25	28	44	2	14	42	7	11
Utah	7	35	9	1	2	15	4	31	34	3	30	3	16	2
Vermont	43	26	10	32	36	2	33	21	4	50	41	7	43	32
Virginia	20	21	26	16	16	6	18	11	22	19	29	14	28	5
Washington	26	46	39	7	20	43	14	7	38	11	38	8	45	29
West Virginia	38	11	46	11	47	32	40	49	26	49	12	6	23	47
Wisconsin	17	41	18	21	43	7	31	30	10	37	22	29	19	24
Wyoming	12	1	48	46	17	15	20	3	3	43	32	23	1	10

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