

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Wednesday, June 21, 2017 3:27 PM
To: Huge, Dan
Cc: Arango, Courtney; Wilson, Stephanie; Jankowski, Jane; Vincent, Micah; Seiwert, Andy; McGuinness, Joe; Stark, Jim (IFA)
Subject: Re: S&P Bulletin Published: I-69 Project Developments (State ICR)

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Thanks, Dan. More confirmation of smart fiscal stewardship.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

On Jun 21, 2017, at 12:30 PM, Huge, Dan <DHuge@ifa.IN.gov> wrote:

S and P published a similar Report to Fitch's that advises I69 Section to have no negative effect on State's rating.

We have been advised Moody's will be publishing a similar doc soon also.

Dan Huge
Indiana Finance Authority
One North Capitol Ave., Ste 900
Indianapolis, IN 46204
317-234-2916
dhuge@ifa.in.gov

From: Padilla, Oscar (Analytical) [<mailto:oscar.padilla@spglobal.com>]
Sent: Wednesday, June 21, 2017 12:07 PM
To: Pascarella, Mark D <MPascarella@ifa.IN.gov>; Huge, Dan <DHuge@ifa.IN.gov>
Cc: Perry, Eden (Analytical) <eden.perry@spglobal.com>; Cochran, Cullen <CuCochran@ifa.IN.gov>; Meier, Joshua <JMeier1@ifa.IN.gov>
Subject: S&P Bulletin Published: I-69 Project Developments (State ICR)

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Mark,
Our bulletin has been published (attached) reflecting the clarifications. Thanks again for your help.
Best,
Oscar Padilla

From: Padilla, Oscar (Analytical)
Sent: Wednesday, June 21, 2017 9:26 AM
To: 'Pascarella, Mark D'; Huge, Dan
Cc: Perry, Eden (Analytical); Cochran, Cullen; Meier, Joshua
Subject: RE: S&P DRAFT Bulletin: I-69 Project Developments (State ICR)

Mark,
Thanks for the comments and clarifications. I will send you a copy of the bulletin when it gets published.
Have a great day.
Best,
Oscar Padilla

From: Pascarella, Mark D [<mailto:MPascarella@ifa.IN.gov>]
Sent: Wednesday, June 21, 2017 9:12 AM
To: Padilla, Oscar (Analytical); Huge, Dan
Cc: Perry, Eden (Analytical); Cochran, Cullen; Meier, Joshua
Subject: RE: S&P DRAFT Bulletin: I-69 Project Developments (State ICR)

Oscar,

We did not have anything major, but we do have a few changes for clarification purposes. Let me know if you have any questions on the edits. Thank you and good job breaking down a complicated story.

Mark D Pascarella

Director Of Debt Management
INDIANA FINANCE AUTHORITY
One North Capitol, STE 900
Indianapolis, IN 46204
(p): 317-234-2228
(e): MPascarella@ifa.IN.gov

From: Padilla, Oscar (Analytical) [<mailto:oscar.padilla@spglobal.com>]
Sent: Tuesday, June 20, 2017 5:44 PM
To: Huge, Dan <DHuge@ifa.IN.gov>; Pascarella, Mark D <MPascarella@ifa.IN.gov>
Cc: Perry, Eden (Analytical) <eden.perry@spglobal.com>
Subject: S&P DRAFT Bulletin: I-69 Project Developments (State ICR)

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Dan and Mark,
I just left you both a voicemail but wanted to follow-up with an email. Given the recent development concerning the I-69 P3 project, we intend on publishing a short bulletin which I've attached for your review. Our goal is simply to state general background and our view of the developments as they relate to our issuer credit rating on the state. Please let me know if there's anything in the summary that is factually incorrect, an inadvertent disclosure of confidential information, or could cause confusion. Thanks for your help and please feel free to give me a call with any concerns.

Best,

Oscar Padilla
Associate

S&P Global - Ratings
U.S. Public Finance | 500 N Akard Suite 3200 | Dallas, TX 75201
T: 214.871.1405 | M: 469. [REDACTED]

oscar.padilla@spglobal.com
www.spglobal.com

<image001.png>

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<RatingsDirect_BulletinNoNegativeRatingActionOnIndianaFollowingI69Section5Agreement_36660763_Jun-21-2017.pdf>

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Tuesday, June 20, 2017 11:54 AM
To: Huge, Dan;Stark, Jim (IFA);Arango, Courtney
Cc: Wilson, Stephanie;Jankowski, Jane;Vincent, Micah;Dietrick, Andrew
Subject: MEDIA COVERAGE UPDATE - I-69 SECTION 5

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Below is an update of I-69 Section 5 news and social-media coverage over the past 24 hours. FYI.

Date	Title	Source
2017-06-20	Indiana to assume control of I-69 highway by July-end - Navbug.com	https://www.navbug.com/article261142517/indiana_to_assume_control_of_i_69_highway_by_july-end-Navbug.com
2017-06-20	IN reaches agreement in highway P3 takeover Construction Dive	http://www.constructiondive.com/news/in-reaches-agreement-in-highway-p3-takeover-Construction-Dive
2017-06-20	Indiana to assume control of I-69 highway by July-end News	https://ijglobal.com/articles/106870/indiana-to-assume-control-of-i-69-highway-by-july-end-News
2017-06-20	INDOT takes over delayed I-69 Section 5 after private Development	https://www.navbug.com/article260983788/indot_takes_over_delayed_i_69_section_5_after_private_Development
2017-06-20	Drivers getting in more accidents on I-69 amid	https://www.navbug.com/article261026461/drivers_getting_in_more_accidents_on_i_69_amid

	construction delays	
2017- 06-20	News - Inside INdiana Business	http://www.insideindianabusiness.com/category/300024/news
2017- 06-20	I-69 Traffic Conditions Indiana - Navbug.com	https://www.navbug.com/traffic_conditions_on/indiana/i-69.htm
2017- 06-20	Project manager: I-69 Sect. 5 contractor wont be selected for Sect. 6	https://www.navbug.com/article260943718/project_manager_i_69_sect_5_contractor
2017- 06-20	Indiana strikes deal with I-69 P3 bondholders - Fixed Income News	https://fixedincome.fidelity.com/ftgw/fi/FINewsArticle?id=201706191911SM_baf3f9f8_110.1
2017- 06-20	State needs to learn from mistakes encountered on Section 5 of I- 69	http://www.heraldtimesonline.com/news/opinion/state-needs-to-learn-from-mistakes-c972-5877-88db-2686935573c8.html
2017- 06-20	Hoosier Brownfield Remediation Efforts Receive Boost - Inside	http://www.insideindianabusiness.com/story/35699717/hoosier-brownfield-remediation
2017- 06-20	Car accidents spike during I- 69 construction in Indiana - Navbug.com	https://www.navbug.com/article260983113/car_accidents_spike_during_i_69_constr
2017- 06-20	Indiana May Reclaim Control	https://www.navbug.com/article260915877/indiana_may_reclaim_control_of_i_69_p

of I-69 Project -
Navbug.com

2017-06-19	Why I-69 delays are costly and dangerous for Hoosiers - Navbug.com	https://www.navbug.com/article260941688/why_i_69_delays_are_costly_and_dange
2017-06-19	Projects Move Forward on Multiple IU Campuses - Inside INdiana	http://www.insideindianabusiness.com/story/35697482/projects-move-forward-on-m
2017-06-19	INDOT takes over delayed I-69 Section 5 after private Development	http://chestertontribune.com/Indiana%20News/indot_takes_over_delayed_i69_sec.ht
2017-06-19	News WABX 107.5 Evansvilles Classic Rock Station	http://wabx.net/news
2017-06-19	Indiana strikes deal with I-69 P3 bondholders - Navbug.com	https://www.navbug.com/article260915851/indiana_strikes_deal_with_i_69_p3_bond
2017-06-19	Ind. takes control of P3 road project - Navbug.com	https://www.navbug.com/article260918069/ind_takes_control_of_p3_road_project.ht
2017-06-19	Chamber Statement on State Takeover of I-69 Project	http://www.indianachamberblogs.com/chamber-statement-on-state-takeover-of-i-69-
2017-06-19	Indiana Traffic Conditions and Accident	https://www.navbug.com/indiana_traffic.htm

	Reports - Navbug.com	
2017-06-19	Accidents - June 2017 Archives - Navbug.com	https://www.navbug.com/5th_ave/routearchives/201706.htm
2017-06-19	More Car Accidents During I-69... - Google News Pakistan	https://news.google.pk/news/more?ncl=dPqx1ahehYWY9gM&authuser=0&ned=en
2017-06-19	Indiana to cancel public-private interstate contract - The Daily Reporter	http://dailyreporter.com/2017/06/19/indiana-to-cancel-public-private-interstate-contr
2017-06-19	State Taking Over Troubled I-69 Project From Bloomington To	http://www.wbiw.com/local/archive/2017/06/state-taking-over-troubled-i-69-project-
2017-06-19	Car accidents have increased during I-69 construction delays	https://www.navbug.com/article260882797/car_accidents_have_increased_during_i
2017-06-19	ResearchPool	http://twitter.com/ResearchPool/statuses/876938949851308033
2017-06-19	News Hot 96 FM Todays Hit Music Evansville, IN	http://hot96.com/news
2017-06-19	Car accidents have increased during I-69 construction	http://www.indystar.com/story/news/2017/06/19/car-accidents-have-increased-during

delays -
IndyStar

2017-06-19	Reporter-Times	http://www.reporter-times.com
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2017-06-19	Abdul Hakim-Shabazz IndyPolitics.Org	http://indypolitics.org/author/attyabdul
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Stephanie McFarland, APR

Senior Issue-Management Consultant
McFarland PR & Public Affairs, Inc.
211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Stephanie@McFarlandpr.com
Sent: Tuesday, June 20, 2017 10:40 AM
To: Arango, Courtney
Subject: RE: Re: I69 articles

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Any word on the principal letter? Niki Kelly has also requested an interview on the water-sampling program.

> On June 20, 2017 at 10:34 AM "Arango, Courtney" <CArango1@gov.IN.gov> wrote:

>

>

> thanks

>

> Courtney Arango

> Communications Director

> Office of Governor Eric J. Holcomb

> Cell: 317- [REDACTED]

> Follow Governor Eric Holcomb on Twitter<<http://www.twitter.com/govholcomb>>,

Facebook<<http://www.facebook.com/govholcomb>>, & Instagram<<http://www.instagram.com/govholcomb>>

>

> From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]

> Sent: Tuesday, June 20, 2017 10:20 AM

> To: Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>; Arango, Courtney

<CArango1@gov.IN.gov>

> Subject: Fwd: Re: I69 articles

>

> **** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

>

>

> Please see the message from Alvie Lindsey of the Indy Star below -- and my brief response. FYI.

>

> Steph

>

> ----- Original Message -----

> From: stephanie@mcfarlandpr.com<mailto:stephanie@mcfarlandpr.com>

> To: "Lindsay, Alvie" <Alvie.Lindsay@indystar.com<mailto:Alvie.Lindsay@indystar.com>>

> Date: June 20, 2017 at 10:17 AM

> Subject: Re: I69 articles

>

> Alvie, we informed you of those corrections prior to running your stories. We are happy to fact check for any media outlet.

> On June 20, 2017 at 10:08 AM "Lindsay, Alvie"

<Alvie.Lindsay@indystar.com<mailto:Alvie.Lindsay@indystar.com>> wrote:

>

> Hi, Stephanie,

>
>
>
> I just wanted to let you know – as a matter of transparency – that I’ve informed AP that you have not made us aware of any request for correction or any issue as it relates to our I69 stories that appeared in The Star on Sunday and Monday.
>
>
>
> Alvie
>
>
>
> Alvie Lindsay
>
> News and Investigations Director
>
>
>
> [IndyStar]
>
>
>
> The Indianapolis Star/IndyStar.com
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> (317) 444-6385
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>
>
> Stephanie McFarland, APR
>
> Senior Issue-Management Consultant
> McFarland PR & Public Affairs, Inc.
> 211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
> 317-602-1546 ext. 2 | stephanie@mcfarlandpr.com<<mailto:abby@mcfarlandpr.com>>

Scott.A.Milkey

From: Arango, Courtney
Sent: Tuesday, June 20, 2017 10:35 AM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com)
Subject: RE: Re: I69 articles

thanks

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317- [REDACTED]

Follow Governor Eric Holcomb on [Twitter](#), [Facebook](#), & [Instagram](#)

From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]
Sent: Tuesday, June 20, 2017 10:20 AM
To: Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>; Arango, Courtney <CArango1@gov.IN.gov>
Subject: Fwd: Re: I69 articles

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Alvie

Alvie Lindsay

News and Investigations Director



The Indianapolis Star/IndyStar.com

(317) 444-6385

Stephanie McFarland, APR

Senior Issue-Management Consultant

McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

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Alvie

Alvie Lindsay

News and Investigations Director



The Indianapolis Star/IndyStar.com

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Stephanie McFarland, APR

Senior Issue-Management Consultant

McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Arango, Courtney
Sent: Sunday, June 18, 2017 8:28 PM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com)
Cc: Huge, Dan
Subject: RE: Mike Pence's infrastructure mess: What went wrong with I-69?

That's great news. Thanks for handling this.

Courtney Arango
Communications Director
Office of Governor Eric J. Holcomb
Cell: 317-[REDACTED]
Follow Governor Eric Holcomb on Twitter, Facebook, & Instagram

-----Original Message-----

From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
Sent: Sunday, June 18, 2017 1:23 PM
To: Arango, Courtney <CArango1@gov.IN.gov>
Cc: Lopez, Danny <DaLopez@gov.IN.gov>; Jankowski, Jane <JJankowski@gov.IN.gov>; Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>; Dietrick, Andrew <ADietrick@indot.IN.gov>; Pascarella, Mark D <MPascarella@ifa.IN.gov>; Wilson, Stephanie <StepWilson@gov.IN.gov>; Vincent, Micah <mvincent@gov.in.gov>
Subject: Re: Mike Pence's infrastructure mess: What went wrong with I-69?

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The AP said they were not planning to pick up the Star's story. But they might use pieces from it in stories over the next few weeks. I asked them to please feel free to check in with us for an accuracy review.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317.[REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

> On Jun 18, 2017, at 9:33 AM, Arango, Courtney <CArango1@gov.IN.gov> wrote:

>

> Thank you, all.

>

> Courtney Arango

> Sent from a mobile device; please excuse typos.

> _____

> From: Lopez, Danny

> Sent: Sunday, June 18, 2017 8:56:37 AM

> To: Jankowski, Jane

> Cc: McFarland, Stephanie (Stephanie@McFarlandpr.com); Huge, Dan;

> Stark, Jim (IFA); Arango, Courtney; Dietrick, Andrew; Pascarella, Mark

> D; Wilson, Stephanie; Vincent, Micah
> Subject: Re: Mike Pence's infrastructure mess: What went wrong with I-69?
>
> Agree 100%
>
>> On Jun 18, 2017, at 8:51 AM, Jankowski, Jane <JJankowski@gov.IN.gov> wrote:
>>
>> I do not see a reason to follow up. I do not think it would make a difference.
>>
>> _____
>> From: Stephanie McFarland <stephanie@mcfarlandpr.com>
>> Sent: Sunday, June 18, 2017 7:26:53 AM
>> To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney; Dietrick, Andrew;
>> Pascarella, Mark D; Jankowski, Jane; Lopez, Danny; Wilson, Stephanie;
>> Vincent, Micah
>> Subject: Re: Mike Pence's infrastructure mess: What went wrong with I-69?
>>
>> **** This is an EXTERNAL email. Exercise caution. DO NOT open
>> attachments or click links from unknown senders or unexpected email.
>> ****
>> _____
>>
>> The story, at this hour, has received no commentary from readers. FYI.
>>
>> *****
>> Stephanie McFarland, APR
>> Senior Public-Affairs Consultant
>> McFarland PR & Public Affairs, Inc.
>> 317.602.1546 -- office
>> 317. [REDACTED] -- cell (24/7)
>> stephanie@mcfarlandpr.com
>>
>>> On Jun 18, 2017, at 7:09 AM, Stephanie McFarland <stephanie@mcfarlandpr.com> wrote:
>>>
>>> See Star below. I have contacted the AP to at least let them know we have told the Indy Star multiple times since February that the State did not have a legal relationship with Isolux Corsan, but with I-69 Development Partners who was selected as the bidder. Also suggested they fact check the 80 percent with the developer, and offered them Christian's contact info. FYI.
>>>
>>> Please let me know what other factual and contextual errors we need to share. Thanks.
>>>
>>> <http://www.indystar.com/story/news/2017/06/18/mike-pence-donald-trump-public-private-partnerships-mitch-daniels-interstate-69-isolux-bloomington/388756001/>
>>>
>>> *****
>>> Stephanie McFarland, APR
>>> Senior Public-Affairs Consultant
>>> McFarland PR & Public Affairs, Inc.
>>> 317.602.1546 -- office
>>> 317. [REDACTED] -- cell (24/7)
>>> stephanie@mcfarlandpr.com
>>
> <winmail.dat>

Scott.A.Milkey

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Sent: Sunday, June 18, 2017 1:23 PM
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> On Jun 18, 2017, at 9:33 AM, Arango, Courtney <CArango1@gov.IN.gov> wrote:

>

> Thank you, all.

>

> Courtney Arango

> Sent from a mobile device; please excuse typos.

>

> From: Lopez, Danny

> Sent: Sunday, June 18, 2017 8:56:37 AM

> To: Jankowski, Jane

> Cc: McFarland, Stephanie (Stephanie@McFarlandpr.com); Huge, Dan;

> Stark, Jim (IFA); Arango, Courtney; Dietrick, Andrew; Pascarella, Mark

> D; Wilson, Stephanie; Vincent, Micah

> Subject: Re: Mike Pence's infrastructure mess: What went wrong with I-69?

>

> Agree 100%

>

>> On Jun 18, 2017, at 8:51 AM, Jankowski, Jane <JJankowski@gov.IN.gov> wrote:

>>

>> I do not see a reason to follow up. I do not think it would make a difference.

>>

>> From: Stephanie McFarland <stephanie@mcfarlandpr.com>

>> Sent: Sunday, June 18, 2017 7:26:53 AM

>> To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney; Dietrick, Andrew;

>> Pascarella, Mark D; Jankowski, Jane; Lopez, Danny; Wilson, Stephanie;

>> Vincent, Micah

>> Subject: Re: Mike Pence's infrastructure mess: What went wrong with I-69?

>>

>> **** This is an EXTERNAL email. Exercise caution. DO NOT open
>> attachments or click links from unknown senders or unexpected email.

>> ****

>>

>> The story, at this hour, has received no commentary from readers. FYI.

>>

>> *****

>> Stephanie McFarland, APR

>> Senior Public-Affairs Consultant

>> McFarland PR & Public Affairs, Inc.

>> 317.602.1546 -- office

>> 317. [REDACTED] -- cell (24/7)

>> stephanie@mcfarlandpr.com

>>

>>> On Jun 18, 2017, at 7:09 AM, Stephanie McFarland <stephanie@mcfarlandpr.com> wrote:

>>>

>>> See Star below. I have contacted the AP to at least let them know we have told the Indy Star multiple times since February that the State did not have a legal relationship with Isolux Corsan, but with I-69 Development Partners who was selected as the bidder. Also suggested they fact check the 80 percent with the developer, and offered them Christian's contact info. FYI.

>>>

>>> Please let me know what other factual and contextual errors we need to share. Thanks.

>>>

>>> <http://www.indystar.com/story/news/2017/06/18/mike-pence-donald-trum>

>>> p-public-private-partnerships-mitch-daniels-interstate-69-isolux-blo

>>> omington/388756001/

>>>

>>>

>>> *****

>>> Stephanie McFarland, APR

>>> Senior Public-Affairs Consultant

>>> McFarland PR & Public Affairs, Inc.

>>> 317.602.1546 -- office

>>> 317. [REDACTED] -- cell (24/7)

>>> stephanie@mcfarlandpr.com

>>

> <winmail.dat>

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Sunday, June 18, 2017 7:27 AM
To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney; Dietrick, Andrew; Pascarella, Mark D; Jankowski, Jane; Lopez, Danny; Wilson, Stephanie; Vincent, Micah
Subject: Re: Mike Pence's infrastructure mess: What went wrong with I-69?

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. **** _____

The story, at this hour, has received no commentary from readers. FYI.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

> On Jun 18, 2017, at 7:09 AM, Stephanie McFarland <stephanie@mcfarlandpr.com> wrote:

>

> See Star below. I have contacted the AP to at least let them know we have told the Indy Star multiple times since February that the State did not have a legal relationship with Isolux Corsan, but with I-69 Development Partners who was selected as the bidder. Also suggested they fact check the 80 percent with the developer, and offered them Christian's contact info. FYI.

>

> Please let me know what other factual and contextual errors we need to share. Thanks.

>

> <http://www.indystar.com/story/news/2017/06/18/mike-pence-donald-trump-public-private-partnerships-mitch-daniels-interstate-69-isolux-bloomin-gton/388756001/>

>

>

> *****

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> Senior Public-Affairs Consultant
> McFarland PR & Public Affairs, Inc.
> 317.602.1546 -- office
> 317. [REDACTED] -- cell (24/7)
> stephanie@mcfarlandpr.com

Scott.A.Milkey

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Sent: Sunday, June 18, 2017 7:09 AM
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stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Saturday, June 17, 2017 10:50 AM
To: Manning, Scott;Stark, Jim (IFA);Wilson, Stephanie;Vincent, Micah;Kiefer, Chris;Dietrick, Andrew;Arango, Courtney;Jankowski, Jane;Huge, Dan
Subject: UPDATE -- MEDIA COVERAGE -- I69 SECTION 5 AGREEMENT

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Dan, I don't think we could have asked for a more fair and balanced story as the one the Herald Times published.

Steph

On June 17, 2017 at 10:40 AM stephanie@mcfarlandpr.com wrote:

All, listed below and attached is a our first comprehensive grab of the I69 Section 5 announcement coverage. We'll continue monitoring throughout the day. Herald Times is included, as well as FOX59 and WISH TV. We'll do a manual search for WTHR, didn't see anything there. CBS4 has a tweet listed in the attached. FYI.

Steph

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2017-06-17	News suncommercial.com	http://www.suncommercial.com/news
2017-06-17	WWBL Real Country	http://www.wwbl.com
2017-06-17	INDOT Given Direct Control of Delayed I-69 Section 5 WWBL	http://www.wwbl.com/2017/06/17/indot-given-direct-control-of-delayed-i-69-section-5
2017-06-17	Manufacturing & Logistics - Inside INdiana Business	http://www.insideindianabusiness.com/category/301746/manufacturing-logistics
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2017-06-17	Deal gives INDOT direct control of delayed I-69 Section 5 - ABC21	http://www.wpta21.com/story/35683463/deal-gives-indot-direct-control-of-delayed-i-69-section-5
2017-06-17	Indiana taking over Section 5 of I-69	http://www.reporter-times.com/news/local/indiana-taking-over-section-of-i-69/article111e7-fd137a27289c.html
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2017-06-17	Deal gives INDOT direct control of delayed I-69 section	https://www.ibj.com/articles/64287-deal-gives-indot-direct-control-of-delayed-i-6
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2017-06-16	State Reaches Agreement To Take Control Of I-69 Section 5	http://www.wfyi.org/news/articles/state-reaches-agreement-to-take-control-of-i-6

2017- 93.1 WIBC-FM --
06-16 I69 Section 5

http://www.facebook.com/permalink.php?story_fbid=10155228979432293&id=5

Stephanie McFarland, APR

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Scott.A.Milkey

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Sent: Saturday, June 17, 2017 10:40 AM
To: Huge, Dan; Vincent, Micah; Arango, Courtney; Wilson, Stephanie; Jankowski, Jane; Stark, Jim (IFA); Dietrick, Andrew; Manning, Scott; Kiefer, Chris
Subject: MEDIA COVERAGE -- I69 SECTION 5 AGREEMENT
Attachments: AGREEMENT MEDIA CAPTURE_JUNE17_MORNING.xlsx

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All, listed below and attached is a our first comprehensive grab of the I69 Section 5 announcement coverage. We'll continue monitoring throughout the day. Herald Times is included, as well as FOX59 and WISH TV. We'll do a manual search for WTHR, didn't see anything there. CBS4 has a tweet listed in the attached. FYI.

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Scott.A.Milkey

From: Arango, Courtney
Sent: Friday, June 16, 2017 2:48 PM
To: Vincent, Micah;Huge, Dan;McFarland, Stephanie
(Stephanie@McFarlandpr.com);McGuinness, Joe;Kiefer, Chris;Bennin, Andre;Manning, Scott;Dietrick, Andrew;Elsener, Joseph;Lopez, Danny;Cochran, Cullen;Karns, Allison;Creighton, Chris
Subject: FW: NEWS Indiana Chamber Statement on State Takeover of I-69 Project

FYI only – Chamber/Hoosier Voices comment. Jane, Steph, and Earl have a copy of this statement already. Thanks.

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317- [REDACTED]

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From: Patrick, Rebecca [mailto:rpatrik@indianachamber.com]
Sent: Friday, June 16, 2017 2:41 PM
Subject: NEWS Indiana Chamber Statement on State Takeover of I-69 Project

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

For media information, contact:
Rebecca Patrick at (317) 264-6897 / rpatrik@indianachamber.com

FOR IMMEDIATE RELEASE

Indiana Chamber Statement on State Takeover of I-69 Project

June 16, 2017 (INDIANAPOLIS) — [Indiana Chamber of Commerce](#) President Kevin Brinegar, who is also the board chair for Hoosier Voices for I-69, comments on the state's announcement today that the Indiana Finance Authority is taking over management of the I-69 section from Bloomington to Martinsville:

"It's the absolute right thing for the state to do to ensure that this segment and the entire project is completed as quickly as possible.

"We must stay on course, because the ramifications are too important. When fully finished, the new I-69 – from Evansville to Fort Wayne – will help further Indiana's position as the Crossroads of America.

"It will provide many more Hoosiers with better road access, leading to reduced travel time. And that also is very attractive for businesses, making Indiana an even more viable hub for companies and new jobs."

###

The Indiana Chamber partners with 25,000 members and investors – representing over four million Hoosiers – to achieve the mission of “cultivating a world-class environment which provides economic opportunity and prosperity.”

Rebecca Patrick

Vice President, PR and Government Communications

Indiana Chamber of Commerce

Phone: 317-264-6897

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To: McFarland, Stephanie (Stephanie@McFarlandpr.com); Wilson, Stephanie; Jankowski, Jane; Dietrick, Andrew; Manning, Scott
Subject: Running media clips - I69 Section 5

<http://www.indystar.com/story/news/2017/06/16/state-has-agreement-terminate-public-private-i-69-contract/404026001/>

State has agreement to terminate public-private I-69 contract

[Kaitlin L Lange and Mark Alesia](#), IndyStar 2:20 p.m. ET June 16, 2017

After repeated delays and calls for action from Bloomington residents, the state is taking control of construction of the 21-mile stretch of I-69 from Bloomington to Martinsville.

State officials announced Friday that they have an agreement to terminate the state's public-private partnership with I-69 Development Partners, the private company responsible for designing, building and maintaining I-69 section 5.

But that doesn't mean taxpayers are necessarily off the hook. Financial analysts from both Fitch and Standard & Poor's previously estimated the project cost will likely be higher than the original bid, with Fitch estimating the overrun at \$162 million, for a total cost of \$497 million.

Stephanie McFarland, a spokeswoman for the Indiana Finance Authority, instead said if the state takes over, "the expense to the state is no more than it would have paid under the original P3 structure."

I-69 Development Partners originally bid \$325 million to win the project, which started in 2014. The project, which was supposed to be completed in October 2016, has been delayed four times since construction started.

The [most recent estimated completion](#) date is August 2018, nearly two years later.

This story will be updated.

Call IndyStar reporter Mark Alesia at (317) 444-6311. Follow him on Twitter: @markalesia.

Call IndyStar reporter Kaitlin L. Lange at (812) 549-1429. Follow her on Twitter: @kaitlin_lange.

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317-████████

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Cell: 317-████████

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Subject: RE: EMMA

Got it. Thanks.

Courtney Arango
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Office of Governor Eric J. Holcomb
Cell: 317-[REDACTED]
Follow Governor Eric Holcomb on Twitter, Facebook, & Instagram

-----Original Message-----

From: Pascarella, Mark D
Sent: Friday, June 16, 2017 2:03 PM
To: Huge, Dan <DHuge@ifa.IN.gov>
Cc: McFarland, Stephanie (Stephanie@McFarlandpr.com) <Stephanie@McFarlandpr.com>; Arango, Courtney <CArango1@gov.IN.gov>; Seiwert, Andy <ASeiwert@ifa.IN.gov>; Genetos, Philip C. <Philip.Genetos@icemiller.com>; 'Seamands, Rebecca' <Rebecca.Seamands@icemiller.com>; Dankert, Gary <Gary.Dankert@icemiller.com>
Subject: RE: EMMA

<https://emma.msrb.org/EP1004981-EP779072-EP1180780.pdf>

Please note, this is posted to EMMA

Mark D Pascarella
Director Of Debt Management
INDIANA FINANCE AUTHORITY
One North Capitol, STE 900
Indianapolis, IN 46204
(p): 317-234-2228
(e): MPascarella@ifa.IN.gov

-----Original Message-----

From: Huge, Dan
Sent: Friday, June 16, 2017 1:44 PM
To: Pascarella, Mark D <MPascarella@ifa.IN.gov>
Cc: McFarland, Stephanie (Stephanie@McFarlandpr.com) <Stephanie@McFarlandpr.com>; Arango, Courtney <CArango1@gov.IN.gov>
Subject: EMMA

Please send EMMA posting link to Steph and Courtney listed above. Courtney will imbed press release.

Sent from my iPhone

Scott.A.Milkey

From: Arango, Courtney
Sent: Friday, June 16, 2017 2:00 PM
To: Huge, Dan;Pascarella, Mark D
Cc: McFarland, Stephanie (Stephanie@McFarlandpr.com)
Subject: RE: EMMA

Received. Waiting to post.

Courtney Arango
Communications Director
Office of Governor Eric J. Holcomb
Cell: 317 [REDACTED]
Follow Governor Eric Holcomb on Twitter, Facebook, & Instagram

-----Original Message-----

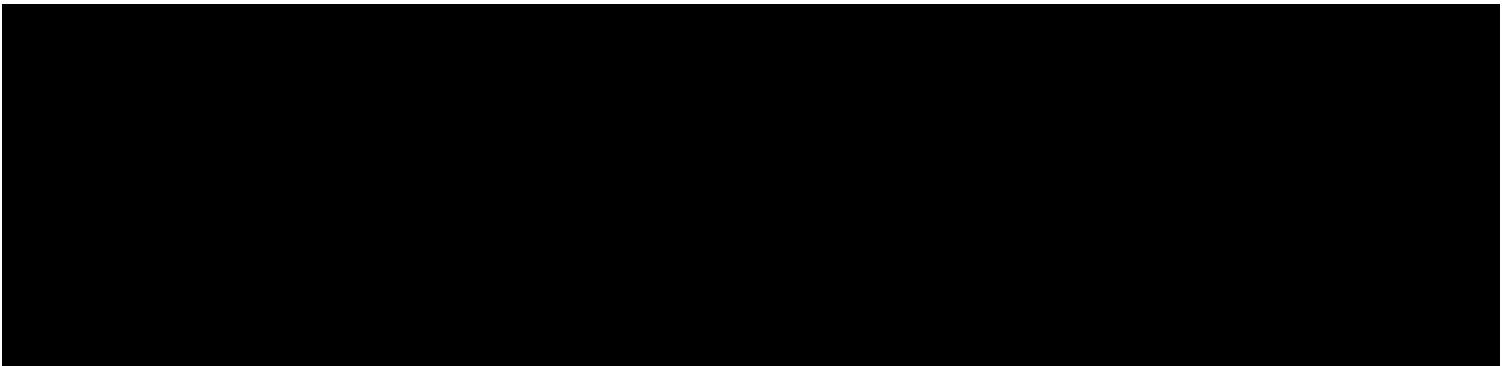
From: Huge, Dan
Sent: Friday, June 16, 2017 1:44 PM
To: Pascarella, Mark D <MPascarella@ifa.IN.gov>
Cc: McFarland, Stephanie (Stephanie@McFarlandpr.com) <Stephanie@McFarlandpr.com>; Arango, Courtney <CArango1@gov.IN.gov>
Subject: EMMA

Please send EMMA posting link to Steph and Courtney listed above. Courtney will imbed press release.

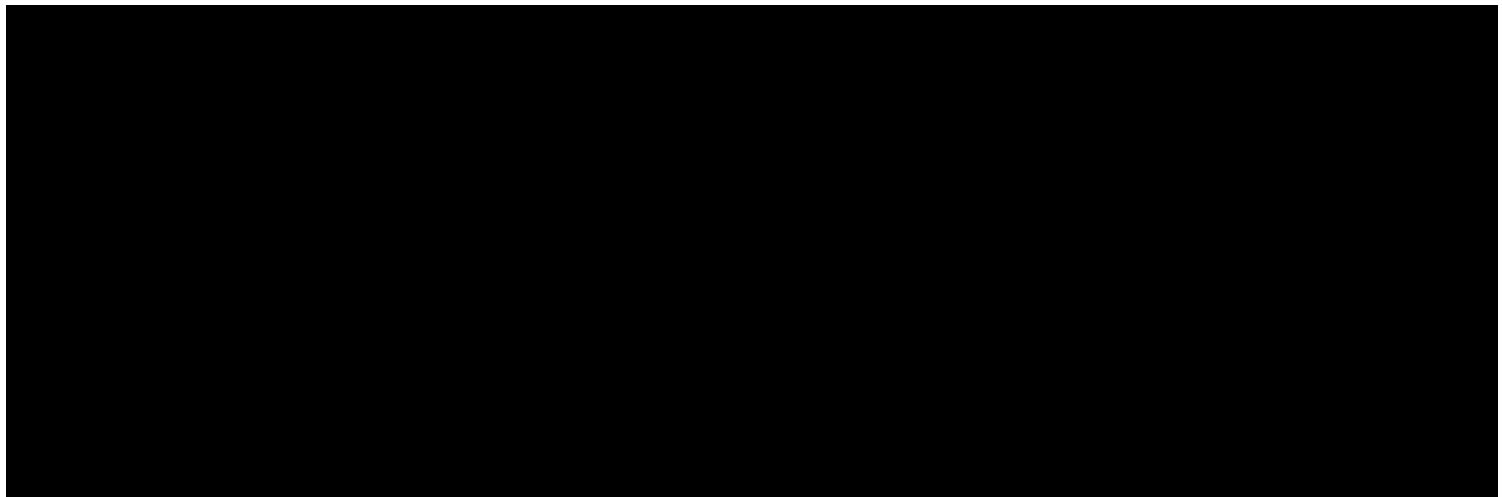
Sent from my iPhone

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Monday, June 12, 2017 1:06 PM
To: Arango, Courtney
Subject: Fwd: FW: APRA request from IndyStar (Message 1 of 3)



From: "Seiwert, Andy" <ASeiwert@ifa.IN.gov>
To: "Huge, Dan" <DHuge@ifa.IN.gov>, "Stark, Jim (IFA)" <JStark1@ifa.IN.gov>
Cc: "McFarland, Stephanie (Stephanie@McFarlandpr.com)" <Stephanie@McFarlandpr.com>
Date: June 12, 2017 at 12:57 PM
Subject: FW: APRA request from IndyStar (Message 1 of 3)



From: Alesia, Mark [mailto:Mark.Alesia@indystar.com]
Sent: Monday, June 12, 2017 11:43 AM
To: Seiwert, Andy <ASeiwert@ifa.IN.gov>
Cc: Lange, Kaitlin <kaitlin.lange@courierpress.com>; Berta, Steve <Steve.Berta@indystar.com>
Subject: RE: APRA request from IndyStar (Message 1 of 3)

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Andy,

I received the contracts with consultants for I-69 Section 5. Thanks, and congrats on your daughter's graduation.

We are concerned about the exception cited for not releasing the Value for Money analysis. We see this as an empirical, finished document of public interest, not "deliberative material" or "an expression of opinion."

We're asking that you reconsider your decision. We plan to file an appeal to the Public Access Counselor on Wednesday.

Thanks.

--Mark

From: Seiwert, Andy [<mailto:ASeiwert@ifa.IN.gov>]
Sent: Thursday, June 08, 2017 3:44 PM
To: Alesia, Mark
Subject: RE: APRA request from IndyStar (Message 1 of 3)

Mark:

I have appreciated your patience in receiving responses to your requests. I have been focused on settlement negotiations regarding this project, and I was out of the office for several days preparing for and attending events related to my daughter's high-school graduation.

Attached to this message are some of the contracts for the consultants you requested. They will satisfy your requests for the "name, title, employer and compensation" for the consultants. Owing to the size of the files, the remaining contracts will be sent in separate messages.

The amounts paid to these consultants for advising on the financing, selection, and contract negotiation regarding this project are:

Public Resources Advisory Group: \$25,000.00 (fixed fee)

Gonzalez Saggio & Harlan: \$19,222.89

Ice Miller: \$709,767.56

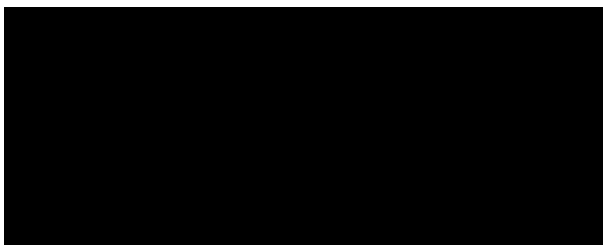
Nossaman: \$1,973,563.89

Bickmore: \$24,543.75

Please note that, although the IFA paid the above amounts for these services, the IFA was reimbursed by INDOT. Therefore, if you made a similar request to INDOT on this topic, INDOT may also report paying these amounts.

Regarding the last item you requested, the “Value for Money . . . or similar analyses,” this information constitutes “deliberative material” that represents an “expression of opinion.” As such, the IFA has exercised its discretion under the APRA to withhold it from disclosure.

Andy Seiwert



From: Alesia, Mark [<mailto:Mark.Alesia@indystar.com>]

Sent: Monday, May 08, 2017 3:39 PM

To: Seiwert, Andy <ASeiwert@ifa.IN.gov>

Subject: APRA request from IndyStar

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Andy ... Please find attached a public records request. Thanks. --Mark

Mark Alesia

Reporter



317.444.6311

@markalesia

Stephanie McFarland, APR

Senior Issue-Management Consultant
McFarland PR & Public Affairs, Inc.
211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Monday, June 12, 2017 11:54 AM
To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney
Subject: Fwd: Re: Question from Fitch downgrade

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

See response to Star below.

Steph

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: "Alesia, Mark" <Mark.Alesia@indystar.com>
Cc: "Berta, Steve" <Steve.Berta@indystar.com>, "Lange, Kaitlin" <kaitlin.lange@courierpress.com>
Date: June 12, 2017 at 11:50 AM
Subject: Re: Question from Fitch downgrade

Mark, please see the information IFA shared last week with you -- regarding this question. Please also see the governor's comment to WIBC last week in reference to the same topic. Once negotiations are complete, we will be able to provide you with an update. Thank you.

June 6, 2017 email (IFA response): In having the State control the project, the expense to the State is no more than it would have paid under the original P3 structure.

Governor's comment: <http://www.wibc.com/news/local-news/state-doesnt-expect-extra-costs-after-firing-i-69-contractor>

On June 12, 2017 at 10:13 AM "Alesia, Mark" <Mark.Alesia@indystar.com> wrote:

Hello, Stephanie. Hope you had a nice weekend. We have a question from the Fitch downgrade released late Friday. It included this paragraph:

Construction work is progressing and payments for completed work are made directly to subcontractors, though remaining available funds are expected to be depleted by the end of the year. The current estimated cost to complete the project, as assessed by the IFA and subcontractors, is \$236.8 million, which would bring the expected total project cost to \$496.9 million, or approximately \$162.4 million over the original project budget. There is \$72 million in other sources of funds, including unused PABs proceeds of \$36 million, which leaves a shortfall of \$164.8 million to be funded.

Is it still your assertion that this will not cost taxpayers anything extra? If so, please explain.

Thanks.

--Mark and Kaitlin

Mark Alesia

Reporter



317.444.6311

@markalesia

Stephanie McFarland, APR

Senior Issue-Management Consultant
McFarland PR & Public Affairs, Inc.
211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Monday, June 12, 2017 11:01 AM
To: Arango, Courtney
Cc: Huge, Dan; Stark, Jim (IFA)
Subject: Re: INDY STAR QUESTION: Question from Fitch downgrade

> On Jun 12, 2017, at 10:58 AM, Arango, Courtney <CArango1@gov.IN.gov> wrote:
>

> From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
> Sent: Monday, June 12, 2017 10:50 AM
> To: Huge, Dan <DHuge@ifa.IN.gov>
> Cc: Arango, Courtney <CArango1@gov.IN.gov>; Stark, Jim (IFA)
> <JStark1@ifa.IN.gov>
> Subject: Re: INDY STAR QUESTION: Question from Fitch downgrade

>
> On Jun 12, 2017, at 10:47 AM, Huge, Dan <DHuge@ifa.IN.gov<mailto:DHuge@ifa.IN.gov>> wrote:

> From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
> Sent: Monday, June 12, 2017 10:29 AM
> To: Arango, Courtney
> <CArango1@gov.IN.gov<mailto:CArango1@gov.IN.gov>>; Huge, Dan
> <DHuge@ifa.IN.gov<mailto:DHuge@ifa.IN.gov>>; Stark, Jim (IFA)
> <JStark1@ifa.IN.gov<mailto:JStark1@ifa.IN.gov>>
> Subject: INDY STAR QUESTION: Question from Fitch downgrade

> Begin forwarded message:

> From: "Alesia, Mark"

> <Mark.Alesia@indystar.com<mailto:Mark.Alesia@indystar.com>>

> Date: June 12, 2017 at 10:13:19 AM EDT

> To: "'stephanie@mcfarlandpr.com<mailto:stephanie@mcfarlandpr.com>'"

> <stephanie@mcfarlandpr.com<mailto:stephanie@mcfarlandpr.com>>

> Cc: "Lange, Kaitlin"

> <kaitlin.lange@courierpress.com<mailto:kaitlin.lange@courierpress.com>

> >, "Berta, Steve"

> <Steve.Berta@indystar.com<mailto:Steve.Berta@indystar.com>>

> Subject: Question from Fitch downgrade Hello, Stephanie. Hope you had

> a nice weekend. We have a question from the Fitch downgrade released late Friday. It included this paragraph:

>

> [cid:image001.png@01D2E36A.E34B7F20]

>

> Is it still your assertion that this will not cost taxpayers anything extra? If so, please explain.

>

> Thanks.

>

> --Mark and Kaitlin

>

>

>

>

>

> Mark Alesia

> Reporter

> [IndyStar]

> 317.444.6311

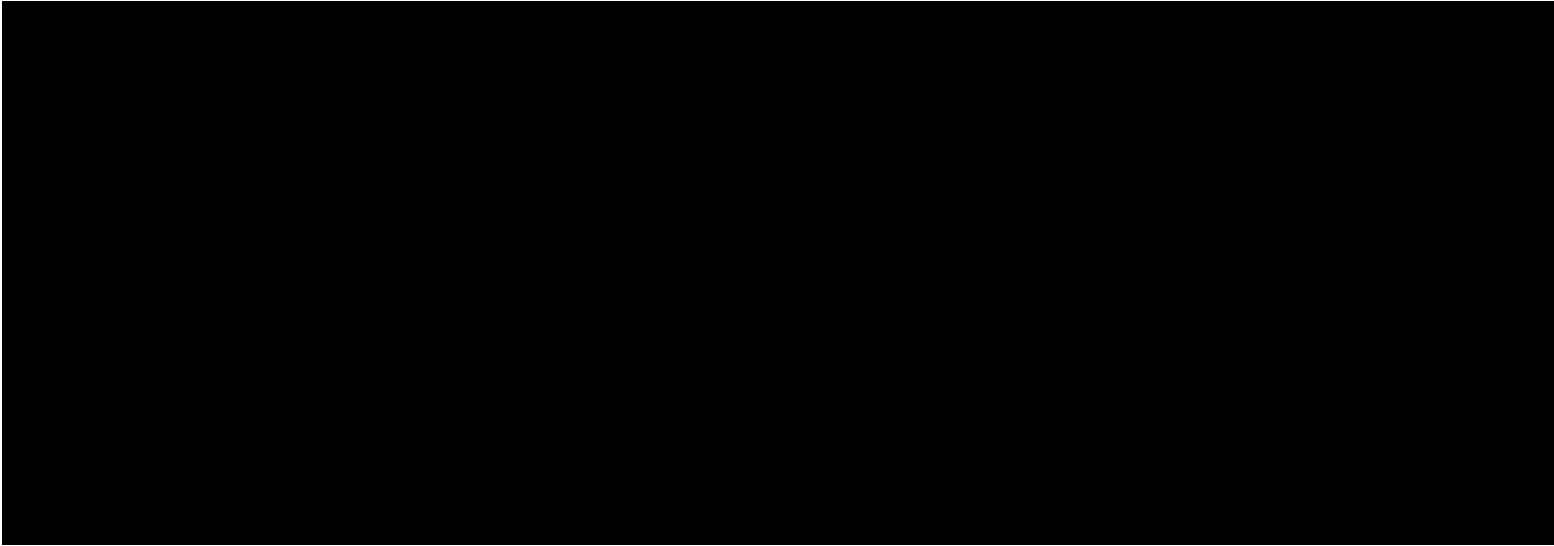
> @markalesia

>

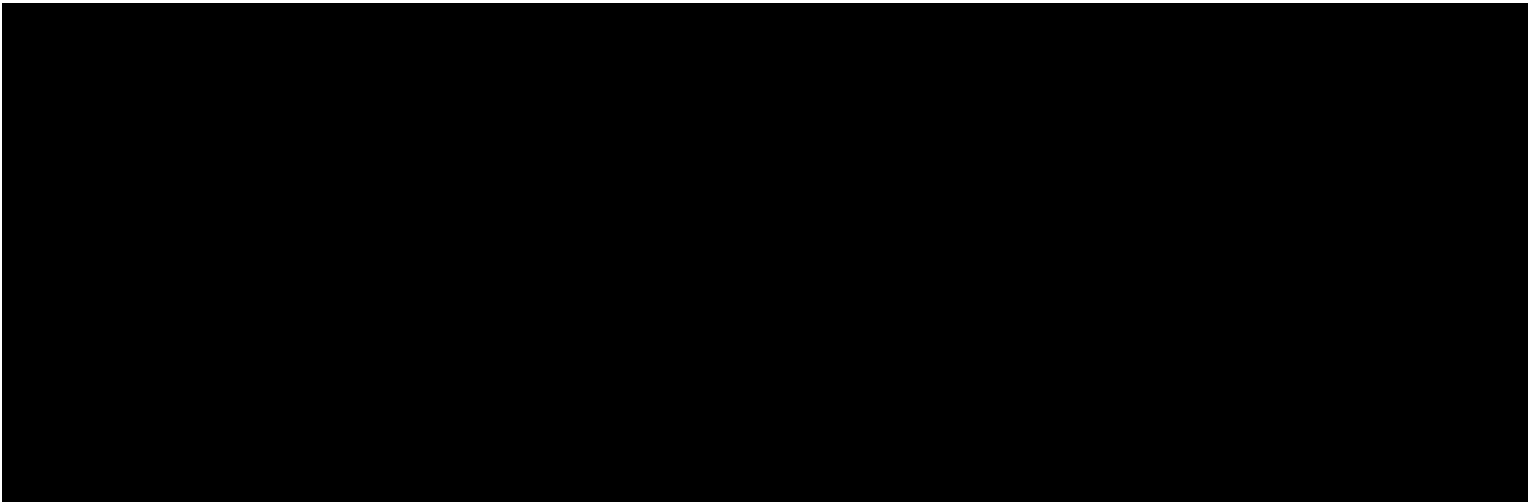
> <winmail.dat>

Scott.A.Milkey

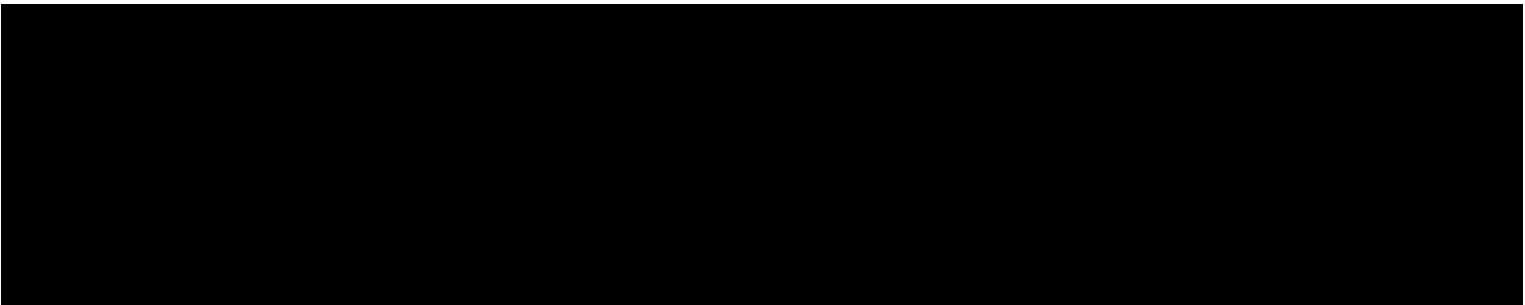
From: Arango, Courtney
Sent: Monday, June 12, 2017 10:59 AM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com); Huge, Dan
Cc: Stark, Jim (IFA)
Subject: RE: INDY STAR QUESTION: Question from Fitch downgrade



From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
Sent: Monday, June 12, 2017 10:50 AM
To: Huge, Dan <DHuge@ifa.IN.gov>
Cc: Arango, Courtney <CArango1@gov.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>
Subject: Re: INDY STAR QUESTION: Question from Fitch downgrade



On Jun 12, 2017, at 10:47 AM, Huge, Dan <DHuge@ifa.IN.gov> wrote:



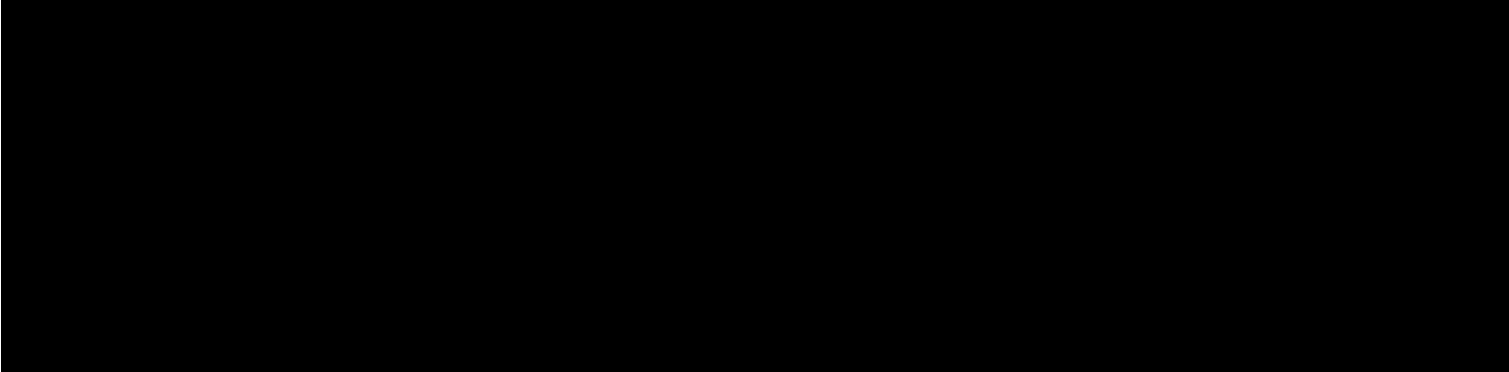


From: Arango, Courtney

Sent: Monday, June 12, 2017 10:39 AM

To: McFarland, Stephanie (Stephanie@McFarlandpr.com) <Stephanie@McFarlandpr.com>; Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>

Subject: RE: INDY STAR QUESTION: Question from Fitch downgrade

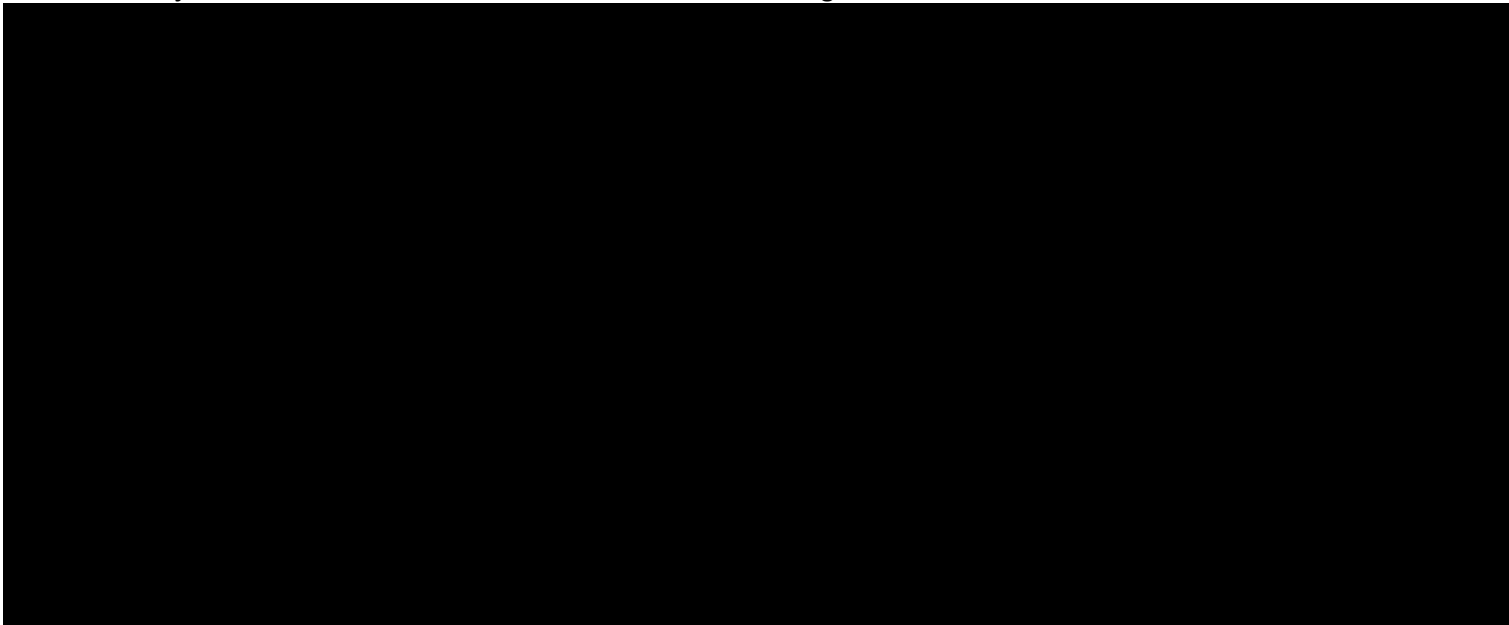


From: Stephanie McFarland [<mailto:stephanie@mcfarlandpr.com>]

Sent: Monday, June 12, 2017 10:29 AM

To: Arango, Courtney <CArango1@gov.IN.gov>; Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>

Subject: INDY STAR QUESTION: Question from Fitch downgrade



From: "Alesia, Mark" <Mark.Alesia@indystar.com>

Date: June 12, 2017 at 10:13:19 AM EDT

To: "'stephanie@mcfarlandpr.com'" <stephanie@mcfarlandpr.com>

Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "Berta, Steve" <Steve.Berta@indystar.com>

Subject: Question from Fitch downgrade

Hello, Stephanie. Hope you had a nice weekend. We have a question from the Fitch downgrade released late Friday. It included this paragraph:

Construction work is progressing and payments for completed work are made to subcontractors, though remaining available funds are expected to be depleted. The current estimated cost to complete the project, as assessed by the IFA, is \$236.8 million, which would bring the expected total project cost to \$496.2 million, approximately \$162.4 million over the original project budget. There is \$72 million in sources of funds, including unused PABs proceeds of \$36 million, which leaves \$164.8 million to be funded.

Is it still your assertion that this will not cost taxpayers anything extra? If so, please explain.

Thanks.

--Mark and Kaitlin

Mark Alesia

Reporter

INDYSTAR |  **USA TODAY
NETWORK**

317.444.6311

@markalesia

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Monday, June 12, 2017 10:50 AM
To: Huge, Dan
Cc: Arango, Courtney; Stark, Jim (IFA)
Subject: Re: INDY STAR QUESTION: Question from Fitch downgrade

On Jun 12, 2017, at 10:47 AM, Huge, Dan <DHuge@ifa.IN.gov> wrote:

From: Arango, Courtney
Sent: Monday, June 12, 2017 10:39 AM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com) <Stephanie@McFarlandpr.com>; Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>
Subject: RE: INDY STAR QUESTION: Question from Fitch downgrade

From: Stephanie McFarland [<mailto:stephanie@mcfarlandpr.com>]
Sent: Monday, June 12, 2017 10:29 AM
To: Arango, Courtney <CArango1@gov.IN.gov>; Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>
Subject: INDY STAR QUESTION: Question from Fitch downgrade

Begin forwarded message:

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
Date: June 12, 2017 at 10:13:19 AM EDT
To: "'stephanie@mcfarlandpr.com'" <stephanie@mcfarlandpr.com>
Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "Berta, Steve" <Steve.Berta@indystar.com>
Subject: Question from Fitch downgrade

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Is it still your assertion that this will not cost taxpayers anything extra? If so, please explain.

Thanks.

--Mark and Kaitlin

Mark Alesia

Reporter

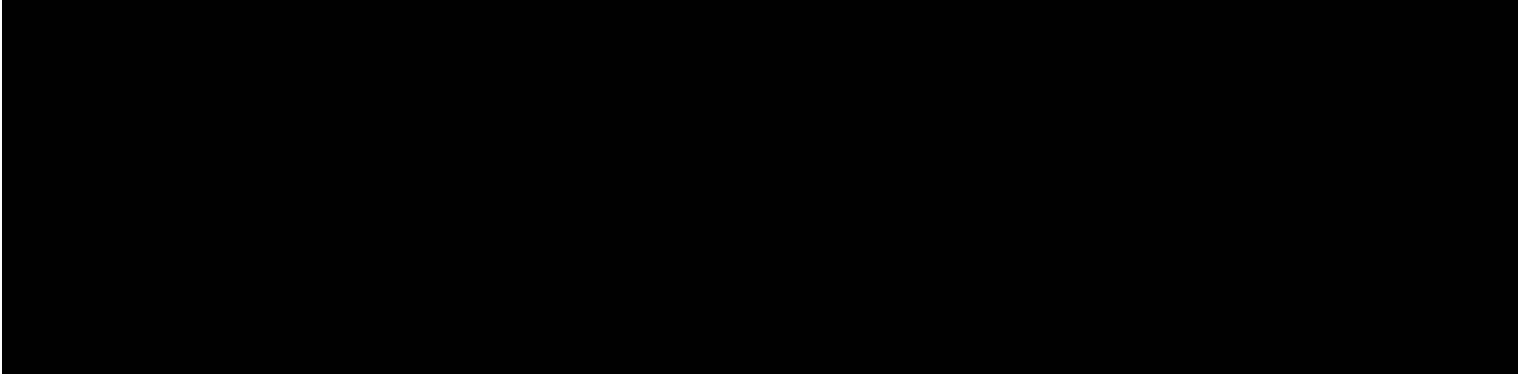


317.444.6311

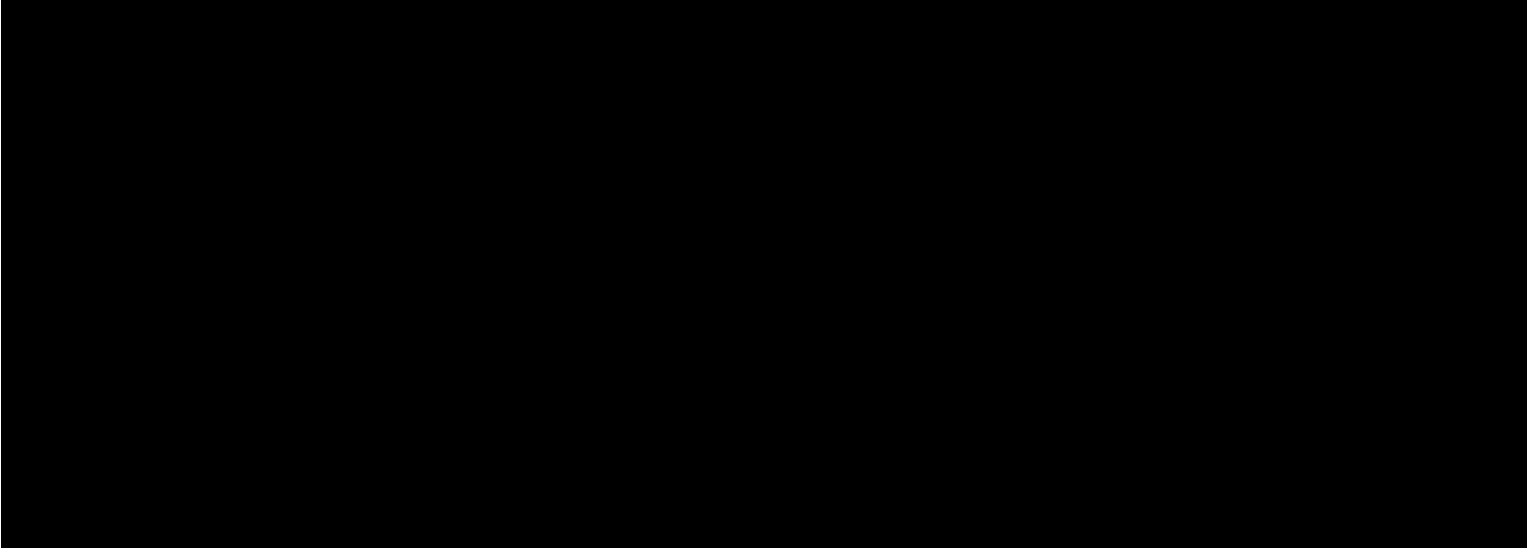
@markalesia

Scott.A.Milkey

From: Arango, Courtney
Sent: Monday, June 12, 2017 10:39 AM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com); Huge, Dan; Stark, Jim (IFA)
Subject: RE: INDY STAR QUESTION: Question from Fitch downgrade



From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
Sent: Monday, June 12, 2017 10:29 AM
To: Arango, Courtney <CArango1@gov.IN.gov>; Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>
Subject: INDY STAR QUESTION: Question from Fitch downgrade



Begin forwarded message:

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
Date: June 12, 2017 at 10:13:19 AM EDT
To: "'stephanie@mcfarlandpr.com'" <stephanie@mcfarlandpr.com>
Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "Berta, Steve" <Steve.Berta@indystar.com>
Subject: Question from Fitch downgrade

Hello, Stephanie. Hope you had a nice weekend. We have a question from the Fitch downgrade released late Friday. It included this paragraph:

Construction work is progressing and payments for completed work are made directly to subcontractors, though remaining available funds are expected to be depleted by the end of the year. The current estimated cost to complete the project, as assessed by the IFA and submitted to the legislature, is \$236.8 million, which would bring the expected total project cost to \$496.9 million, approximately \$162.4 million over the original project budget. There is \$72 million in other sources of funds, including unused PABs proceeds of \$36 million, which leaves a balance of \$164.8 million to be funded.

Is it still your assertion that this will not cost taxpayers anything extra? If so, please explain.

Thanks.

--Mark and Kaitlin

Mark Alesia

Reporter



317.444.6311

@markalesia

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Monday, June 12, 2017 10:29 AM
To: Arango, Courtney;Huge, Dan;Stark, Jim (IFA)
Subject: INDY STAR QUESTION: Question from Fitch downgrade

Begin forwarded message:

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
Date: June 12, 2017 at 10:13:19 AM EDT
To: "'stephanie@mcfarlandpr.com'" <stephanie@mcfarlandpr.com>
Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "Berta, Steve" <Steve.Berta@indystar.com>
Subject: Question from Fitch downgrade

Hello, Stephanie. Hope you had a nice weekend. We have a question from the Fitch downgrade released late Friday. It included this paragraph:

Construction work is progressing and payments for completed work are made directly to subcontractors, though remaining available funds are expected to be depleted by the end of the year. The current estimated cost to complete the project, as assessed by the IFA and supplemented by the state's share, is \$236.8 million, which would bring the expected total project cost to \$496.9 million, or approximately \$162.4 million over the original project budget. There is \$72 million in other sources of funds, including unused PABs proceeds of \$36 million, which leaves a balance of \$164.8 million to be funded.

Is it still your assertion that this will not cost taxpayers anything extra? If so, please explain.

Thanks.

--Mark and Kaitlin

Mark Alesia

Reporter



317.444.6311

@markalesia

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Friday, June 09, 2017 12:45 PM
To: Huge, Dan;Pascarella, Mark D;Stark, Jim (IFA);Arango, Courtney
Subject: Fwd: RE: ERROR IN STORY

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: "Berta, Steve" <Steve.Berta@indystar.com>
Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "Alesia, Mark" <Mark.Alesia@indystar.com>, "Lindsay, Alvie" <Alvie.Lindsay@indystar.com>
Date: June 9, 2017 at 12:34 PM
Subject: RE: ERROR IN STORY

Steve, your statement is misleading to the public. I will make a note of your response.

On June 9, 2017 at 12:30 PM "Berta, Steve" <Steve.Berta@indystar.com> wrote:

Stephanie,

Based on your input I don't see the need for a correction.

We do not make an assertion about who is obligated to pay off the bonds, and the language we used does in fact imply that the obligation lies with the company. It's the language Standard & Poor's experts used to describe the deal. And most people understand that a company receiving a loan is obligated to pay it back.

It appears we're just saying the same thing using different language. If you would like to discuss it further, feel free to give me a call.

Steve Berta

Senior Content Coach/Investigations

Indianapolis Star

317-444-6280

From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]
Sent: Friday, June 09, 2017 10:55 AM
To: Lange, Kaitlin; Alesia, Mark
Cc: Berta, Steve; Lindsay, Alvie
Subject: Re: ERROR IN STORY

Mark, per my phone call yesterday -- once I have verified and confirmed input, I will pass it along. I believe that yesterday Andy shared some of that information with you.

Thank you for acknowledging the correction.

Steph

On June 9, 2017 at 10:45 AM "Alesia, Mark" <Mark.Alesia@indystar.com> wrote:

Stephanie,

Thank you for being so quick with your feedback. That statement comes almost directly from Standard & Poor's, which has been much more accessible to us than the state of Indiana in explaining things up front.

Will you be answering the questions we sent yesterday and the questions from May 31 that weren't addressed in your long statement Wednesday?

Thanks.

--Mark and Kaitlin

Mark Alesia

Reporter



Office: 317-444-6311 | @markalesia

From: stephanie@mcfarlandpr.com <stephanie@mcfarlandpr.com>

Sent: Friday, June 9, 2017 10:27:51 AM

To: Alesia, Mark; Lange, Kaitlin

Cc: Berta, Steve; Lindsay, Alvie

Subject: ERROR IN STORY

Mark/Kaitlin:

ERROR: "The State loaned I69 Development Partners \$243 million of funds thru private activity bonds . . ."

CORRECTION: I69 Development Partners issued \$243 million of debt for the project in private activity bonds. Those bonds were issued through the IFA, **but** the PABs are the full financial responsibility of I69 Development Partners.

Footnote: The IFA merely provided access to the tax-exempt bond market; the PABs were issued on the developer's full faith and credit and are the developer's full financially responsibly.

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Stephanie McFarland, APR

Senior Issue-Management Consultant

McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Stephanie McFarland, APR

Senior Issue-Management Consultant

McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Stephanie McFarland, APR

Senior Issue-Management Consultant

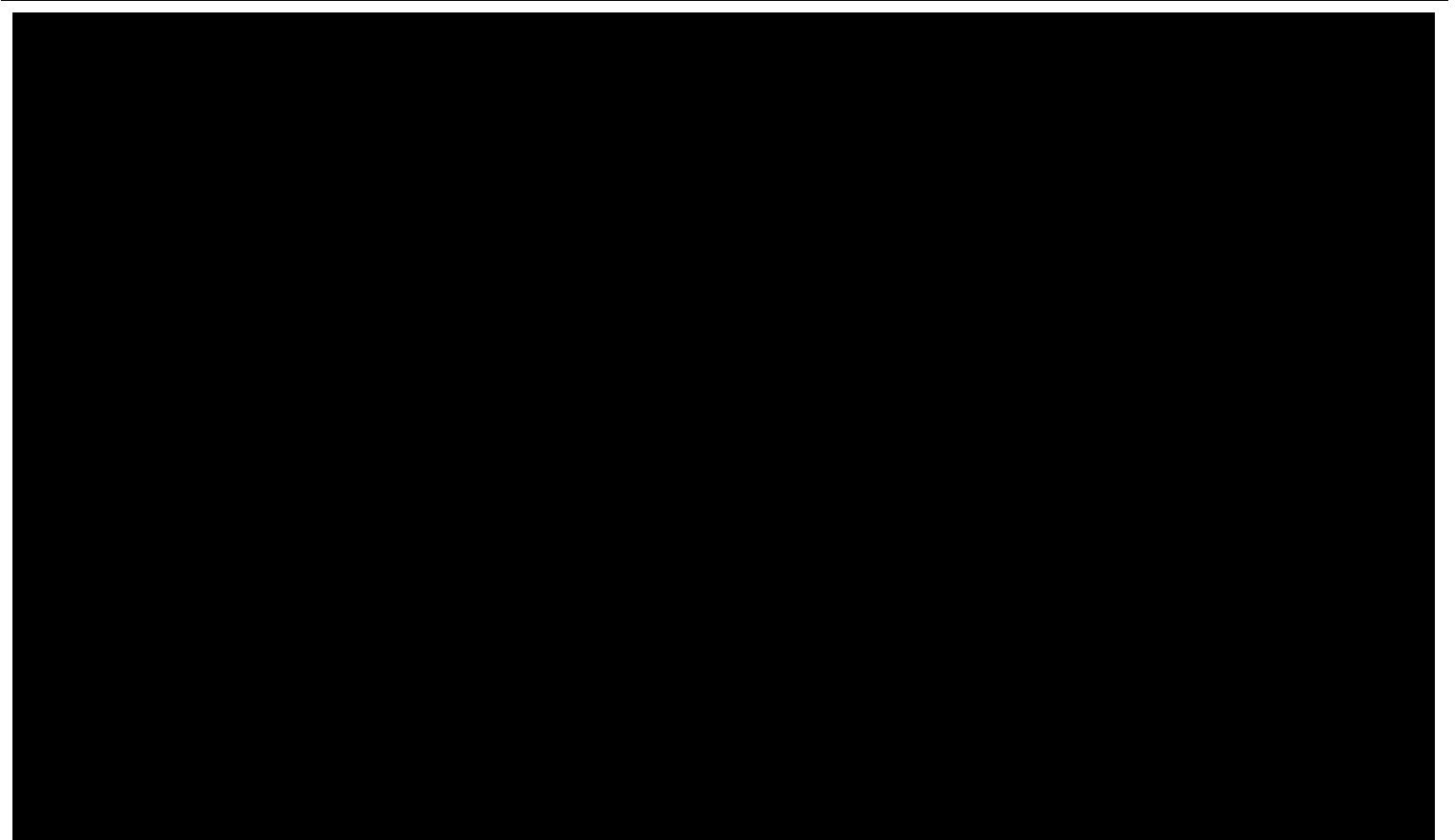
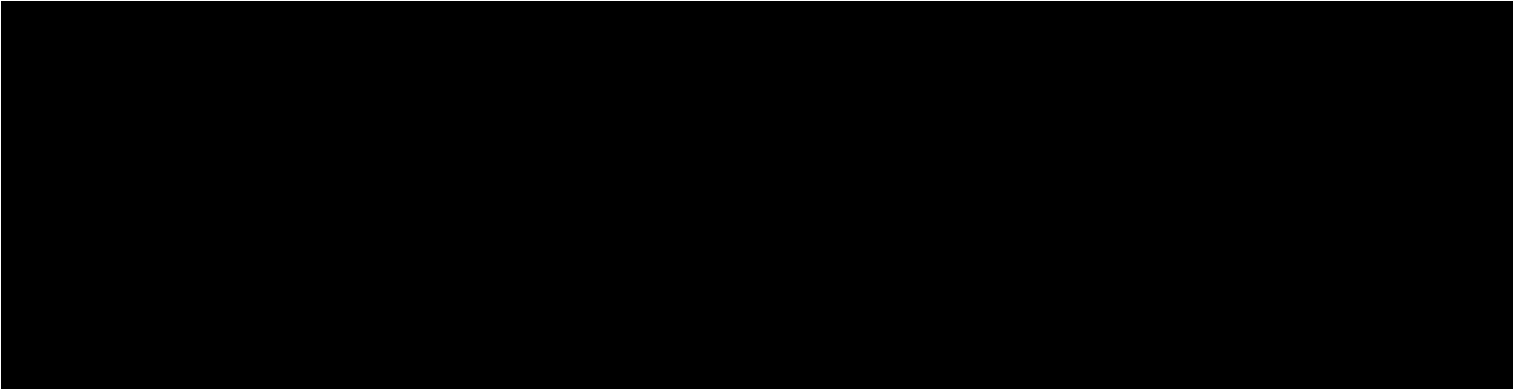
McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Friday, June 09, 2017 12:25 PM
To: Stark, Jim (IFA);Pascarella, Mark D;Arango, Courtney;Huge, Dan
Subject: RE: Re: ERROR IN STORY



From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]
Sent: Friday, June 09, 2017 10:51 AM
To: Huge, Dan <DHuge@ifa.IN.gov>; Arango, Courtney <CArango1@gov.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>; Pascarella, Mark D <MPascarella@ifa.IN.gov>
Subject: Fwd: Re: ERROR IN STORY

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

FYI

----- Original Message -----

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
To: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "stephanie@mcfarlandpr.com" <stephanie@mcfarlandpr.com>
Cc: "Berta, Steve" <Steve.Berta@indystar.com>, "Lindsay, Alvie" <Alvie.Lindsay@indystar.com>
Date: June 9, 2017 at 10:45 AM
Subject: Re: ERROR IN STORY

Stephanie,

Thank you for being so quick with your feedback. That statement comes almost directly from Standard & Poor's, which has been much more accessible to us than the state of Indiana in explaining things up front.

Will you be answering the questions we sent yesterday and the questions from May 31 that weren't addressed in your long statement Wednesday?

Thanks.

--Mark and Kaitlin

Mark Alesia
Reporter



Office: 317-444-6311 | @markalesia

From: stephanie@mcfarlandpr.com <stephanie@mcfarlandpr.com>

Sent: Friday, June 9, 2017 10:27:51 AM

To: Alesia, Mark; Lange, Kaitlin

Cc: Berta, Steve; Lindsay, Alvie

Subject: ERROR IN STORY

Mark/Kaitlin:

ERROR: "The State loaned I69 Development Partners \$243 million of funds thru private activity bonds . . ."

CORRECTION: I69 Development Partners issued \$243 million of debt for the project in private activity bonds. Those bonds were issued through the IFA, **but** the PABs are the full financial responsibility of I69 Development Partners.

Footnote: The IFA merely provided access to the tax-exempt bond market; the PABs were issued on the developer's full faith and credit and are the developer's full financially responsibly.

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Stephanie McFarland, APR

Senior Issue-Management Consultant
McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

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317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Friday, June 09, 2017 10:51 AM
To: Huge, Dan;Arango, Courtney;Stark, Jim (IFA);Pascarella, Mark D
Subject: Fwd: Re: ERROR IN STORY

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

FYI

----- Original Message -----

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
To: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "stephanie@mcfarlandpr.com" <stephanie@mcfarlandpr.com>
Cc: "Berta, Steve" <Steve.Berta@indystar.com>, "Lindsay, Alvie" <Alvie.Lindsay@indystar.com>
Date: June 9, 2017 at 10:45 AM
Subject: Re: ERROR IN STORY

Stephanie,

Thank you for being so quick with your feedback. That statement comes almost directly from Standard & Poor's, which has been much more accessible to us than the state of Indiana in explaining things up front.

Will you be answering the questions we sent yesterday and the questions from May 31 that weren't addressed in your long statement Wednesday?

Thanks.

--Mark and Kaitlin

Mark Alesia

Reporter



Office: 317-444-6311 | @markalesia

From: stephanie@mcfarlandpr.com <stephanie@mcfarlandpr.com>

Sent: Friday, June 9, 2017 10:27:51 AM

To: Alesia, Mark; Lange, Kaitlin

Cc: Berta, Steve; Lindsay, Alvie

Subject: ERROR IN STORY

Mark/Kaitlin:

ERROR: "The State loaned I69 Development Partners \$243 million of funds thru private activity bonds . . ."

CORRECTION: I69 Development Partners issued \$243 million of debt for the project in private activity bonds. Those bonds were issued through the IFA, **but** the PABs are the full financial responsibility of I69 Development Partners.

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317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Thursday, June 08, 2017 7:56 PM
To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney
Cc: Pascarella, Mark D; Seiwert, Andy; Dietrick, Andrew
Subject: Bond rating company says I-69 construction money could run out in July

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. **** _____

<http://www.indystar.com/story/news/2017/06/08/interstate-69-indiana-finance-authority-isolux-bloomington-p-3/381533001/>

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Stephanie McFarland <mcfarlandpr@[REDACTED]>
Sent: Thursday, June 08, 2017 3:54 PM
To: Arango, Courtney
Subject: Fwd: QUESTIONS COMPILED
Attachments: INDY STAR QUESTIONS_compiled_6_8_2017.docx; ATT00001.htm

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Second send.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317.[REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Begin forwarded message:

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Date: June 8, 2017 at 3:52:16 PM EDT
To: CARANGO1@GOV.IN.GOV
Subject: QUESTIONS COMPILED

Court, see attached.

--

Stephanie McFarland, APR
McFarland PR & Public Affairs, Inc.
317.[REDACTED]

"Get your running shoes on . . . and let's go chase the dream!"

INDY STAR QUESTIONS – I-69 Section 5

---What protections are in place to be sure that the project is completed in a reasonable amount of time at a reasonable cost to taxpayers?

---Did the state make any mistakes in managing this project? If so, what are they? If not, who's responsible for the current situation?

---What, if anything, has the state learned from this experience? Will it change the way it handles P3s in the future?

---Did Gov. Pence communicate directly with INDOT/IFA officials concerning the decision to use P3 financing or the decision on what bid should win?

---Were any other elected public officials involved in the decision to use P3 financing instead of issuing public debt? If so, who, specifically? And how, specifically, were they involved?

---A criticism of P3 financing is that it is less transparent traditional bond financing. How did the IFA involve the public in the decision to use P3 financing for such a large project?

---Was a VfM (Value for Money) analysis or anything similar done to compare traditional financing cost vs. P3? If not, why not? If so, will you provide us the analysis?

---What specific individuals evaluated the winning bidder's financial situation? Did they have experience with international corporations? Was a third-party consultant used? If so, who?

---Were there any concerns about choosing a company that had little experience in the U.S., especially when it comes to building roads? If not, why not? [report](#)

---Did it raise any red flags that the winning bid was \$73 million less than the closest bid, and \$67 million less than the state's estimate? If not, why not?

---Why wasn't the project company going bankrupt listed as a risk with a mitigation plan in state documents? Several other risks were listed with mitigation plans for each.

---We were told that the state does not usually release its estimate of a project cost until after the bids come in. Why did the state release its estimate in advance for this?

---Is it accurate that nobody from Isolux was present at the bid reading? Did that raise red flags?

---Is it true that Isolux didn't attend any early meetings with the state, as reported by Public Works Financing in March 2017? Did that raise red flags?

---Of Isolux, Public Works Financing reported in March 2017, "It's almost like they were surprised they won the contract." Did the state see any red flags that indicated the winning bidder was surprised that it won the contract?

---Were public officials aware of the arrest of nine people in Spain in May 2014 on embezzlement charges related to an Isolux project? If not, why not? If so, did that raise any red flags about the company?

---Is it correct that, as Public Works Financing reported, the Spanish parent company for the project didn't assign the contract to its U.S. subsidiary, Isolux Corsan, until July 2014 --- three months after signing? Did that raise any red flags to the state?

---Is it true, as Public Works Financing reported, that Isolux Corsan didn't fully staff the project until months later and didn't bring in anyone who had knowledge of its bid? Did that raise any red flags with the state?

---We have a source involved in the project who said of the public-private partnership, "It felt to me like they wanted to make it work at all costs. They weren't willing to see the red flags." Did the state ignore red flags? Was there political pressure to do the project as a P3 and was there political pressure to make it work, despite red flags?

---In November 2015, Bloomberg News said Isolux was "the riskiest company in the world" based on trading activity. Was anyone from the state aware of that? If not, why not? If so, how did the state react?

---Why did the state have so much confidence in Isolux?

--Despite all of the problems, why did the state continue to have enough confidence in Isolux to enter into an MOU with Isolux as recently as early 2017?

---Should the state have cut ties with Isolux by now? If not, why not?

---What were the circumstances of Gary Vandegriff's departure from INDOT? An industry newsletter said he was "hired away from his government job by I-69 Development Partners to help salvage the project."

---Why did the IFA and INDOT require a formal ethics opinion before allowing Vandegriff to immediately join I-69 Development Partners without a one-year cooling off period?

---Was it appropriate for Vandegriff, while representing I-69 Development Partners, to communicate directly with the state during disputes over the project?

---A common theme of P3 proponents is the superior knowledge and innovation of the private sector. What does it say that a public sector person had to "salvage" the project and later left the company?

---What is Indiana's law on surety bonding for P3s? Why go with 25 percent performance bonding, which we were told is on the low end for these types of projects?

---Bloomington mayor John Hamilton told us he found it very difficult to get information from IFA and INDOT. His quote: "Transparency has been very frustrating. A public private partnership should not be a way to diminish public accountability or transparency about how these public dollars are being invested and used, well or not." Why has it been so hard for public

officials and the media to get information on the project? Was there a contractual requirement for all media inquiries to go through IFA? Why have that?

---We have statistics that show traffic accidents along the I-69 Section 5 route have increased significantly during construction. Even though it isn't exactly a financial cost, do you consider that an acceptable consequence of delays in construction?

---There was language placed in House Bill 1002 regarding IFA and the termination of a P3. Do you know why that language was inserted? What impact does that language have? Did Indiana law prevent the state from terminating its agreement with I-69 Development Partners prior to that legislation?

---Do you plan to terminate the agreement with I-69 Development Partners?

---If you terminate your contract with I-69 Development Partners, how much longer do you think it will extend the construction? What is the procedure/timeline for finding a new company to complete the road if that is the case?

---What are the consequences for terminating the contract for both I-69 Development Partners and the state? Financial analysts for Fitch told us that it would increase the cost of the project to fire the P3 firm?

---The most recent MOU was never signed. So realistically, what is your new estimated completion date?

June 5, 2017 – Additional Questions – Mark Alesia, Indianapolis Star

--Rather than simply asserting that there will be no more cost to the state, would you explain in more detail so that can be understood and verified?

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---Will you have the answers to our larger set of questions by Wednesday?

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Here is one other question: **Understanding that IFA is negotiating with bond holders, is the chart below roughly correct about the revised cost of the project? If not, please explain in detail what is incorrect and what the revised cost would be.**

SENTIMENT INCLUDED IN HIS EMAIL: Once again, we have been trying very hard for weeks to get our public officials to answer questions about an issue of great public interest and importance. What we received yesterday ignored numerous questions and did not sufficiently answer many others. **Yet we remain hopeful that IFA and the Holcomb administration will become less secretive and more accessible.**

See chart below that Indy Star asked IFA to verify/explain.

Already paid by IFA	48 million	Milestone payments that IFA has already made to I-69 Development Partners
Amount IFA would have to pay for debt termination	194 million	80 percent of the \$243 million in Private Activity Bonds that were issued. State said it would float new bond in September to cover this cost.
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TOTAL	407 million	This is roughly the amount of the Walsh and Lane bids originally.

Scott.A.Milkey

From: mcfarlandpr@[REDACTED] on behalf of Stephanie McFarland
<stephanie@mcfarlandpr.com>
Sent: Thursday, June 08, 2017 3:52 PM
To: Arango, Courtney
Subject: QUESTIONS COMPILED
Attachments: INDY STAR QUESTIONS_compiled_6_8_2017.docx

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Court, see attached.

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Stephanie McFarland, APR
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317. [REDACTED]

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Scott.A.Milkey

From: mcfarlandpr@[REDACTED] on behalf of Stephanie McFarland
<stephanie@mcfarlandpr.com>
Sent: Thursday, June 08, 2017 12:28 PM
To: Arango, Courtney;Huge, Dan;Stark, Jim (IFA);Seiwert, Andy;Pascarella, Mark D;Dietrick, Andrew
Cc: Abby Saylor
Subject: UPDATED: IFA I-69 Section 5 media coverage report

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

All, below is a the latest aggregate collection of media coverage on the I-69 Section 5 matter. Please let me know if you have any questions, etc. Thanks much.

Steph

----- Forwarded message -----

From: abby@mcfarlandpr.com <[mediamonitoringpr@\[REDACTED\]](mailto:mediamonitoringpr@[REDACTED])>
Date: Thu, Jun 8, 2017 at 11:27 AM
Subject: UPDATED 2: IFA I-69 Section 5 media coverage report
To: Stephanie McFarland <stephanie@mcfarlandpr.com>, Stephanie McFarland <[mcfarlandpr@\[REDACTED\]](mailto:mcfarlandpr@[REDACTED])>, abby@mcfarlandpr.com

June 8, 2017

- While the Indiana Finance Authority has not officially declared I-69 Development Partners in default, its only a matter of time unless something fundamentally ...http://www.heraldtimesonline.com/news/local/indiana-taxpayers-likely-to-end-up-paying-for-failed-i/article_191b5a2d-10ae-5fbe-9847-091a31a57b89.html
- The state is trying to take control of I-69 Section 5 construction after repeated delays and issues with financing of the project. The Indiana Finance Authority says ...https://www.navbug.com/indiana/bloomington_traffic.htm
- The state is trying to take control of I-69 Section 5 construction after repeated delays and issues with financing of the project. The Indiana Finance Authority says ...https://www.navbug.com/article258387467/indiana_may_reclaim_control_of_i_69_project.htm

June 7, 2017

- The Indiana Finance Authority said in a notice to bond holders ... Funding for construction of the 26 miles of interstate from Martinsville to Interstate 465 in ...https://www.navbug.com/article258246438/controversial_billboard_causes_backlash.htm
- The Indiana Finance Authority announced the proposed takeover Monday, along with the projects fourth delayed completion date of August 2018. The state ...http://chestertontribune.com/Indiana%20News/state_may_reclaim_control_of_pri.htm
- State To Take Over Construction Of I-69 Section 5, Completion Date Pushed Back Again. (BLOOMINGTON) - The State of Indiana issued a statement saying ...<http://www.wbiw.com/local/archive/2017/06/i-69-section-5-announces-ramp-closures-on-state-road-37.php>

- ... secured issue rating to CCC- from B- on the Indiana Finance Authoritys (IFA) outstanding \$240.315 million long-term private activity bonds (PABs) series. <http://www.newswit.com/.fin/2017-06-07/22ef418b5cfc61f0647f573950ba534d/>

June 6, 2017

- The Indiana Finance Authority said in a notice to bond holders it estimates work on Section 5, whi. Daily Journal of Johnson County | Jun 6, 2017 07:50 AM ...<http://www.news-spider.com/cities/IN/Franklin>
- The Indiana Finance Authority said \$236.8 million was needed to complete the extension segment between Bloomington and Martinsville, but only \$72 million ...<http://wane.com/2017/06/06/indiana-may-reclaim-control-of-i-69-project/>
- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-2...>
- On Monday, the Indiana Finance Authority announced the proposed takeover along with the projects fourth delayed completion date. Gov. Eric Holcomb says ...<http://www.wpta21.com/story/35600563/indiana-may-reclaim-control-of-i-69-project>
- with the developers bondholders and has made an offer to buy out the bonds and transition the I-69 Section 5 project under the states direct management." <http://www.smartbrief.com/branded/91F4B281-2E1D-4492-AC81-F51EDC8C14C3/42F58281-576F-4ED0-B5D7-BBA296FA99C1>
- project three years after hiring a private developer for it. On Monday, the Indiana Finance Authority announced the proposed takeover along with the project [.https://news.google.pk/news/more?ncl=dah59eS7WCwkyOM&authuser=0&ned=en_pk](https://news.google.pk/news/more?ncl=dah59eS7WCwkyOM&authuser=0&ned=en_pk)
- The state of Indiana is to move forward with assuming control of the I-69 Section 5 P3 project. Read more... 6 June 2017 - IO names Hurontario LRT shortlist. <http://www.p3bulletin.com/news>
- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-0>
- Instead, the Indiana Finance Authority confirms its negotiating to buy out the Spanish developers bondholders and finish the project itself. The latest delay has ...<http://www.wibc.com/news/local-news/indiana-will-ditch-i-69-contractor-complete-bloomington-martinsville-work-itself>
- On Monday, the Indiana Finance Authority announced the proposed takeover along with the projects fourth delayed completion date. Gov. Eric Holcomb says ...<http://wane.com/2017/06/06/indiana-may-reclaim-control-of-i-69-project>
- The Indiana Finance Authority said I-59 "section five" wont be complete until August 2018 Thats nearly two years after it was supposed to be finished. This. <http://44news.wevv.com>
- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-2>
- BLOOMINGTON — The state of Indiana hopes to assume control of an Interstate 69 extension project three years after hiring a private developer to complete the ...http://www.suncommercial.com/news/article_c88de7be-4b1a-11e7-a155-27cc009a5809.html

- The newspaper adds, “The states negotiations to buy out the bonds for the project have been unsuccessful so far,” but the Indiana Finance Authority (IFA) has ... <https://tollroadsnews.com/news-briefs/daily-news-briefs-june-6-2017>
- secured issue rating to CCC- from B- on the Indiana Finance Authoritys (IFA) outstanding \$240.315 million long-term private activity bonds (PABs) series. <http://www.thailand4.com/.fin/2017-06-07/22ef418b5cfc61f0647f573950ba534d>
- The Indiana Finance Authority announced the proposed takeover Monday, along with the projects fourth delayed completion date of August 2018. The state ... <https://www.ibj.com/articles/64104-indiana-may-reclaim-control-of-delayed-interstate-69-project>
- The completion of Section 5 of I-69 connecting Bloomington with Martinsville has been delayed. Thank you for reading! Please log in, or sign up for a new ... http://www.heraldtimesonline.com/news/opinion/further-delay-of-i-is-no-joking-matter/article_31630cd4-734c-507b-aafb-c4e60a152245.html
- [Heartland road projects for 6/6 - KFVS12 News & Weather Cape ...www.kfvs12.com/story/25486703/heartland-road-projects-for-65](#)
19 hours ago - This **section** of road is located between Route E and Route H. Weather ... Weather permitting, the bridge will close Monday, June **5** and re-open Monday, ... The work zone configuration may **change** from time to time to facilitate this ... The new I-24/I-**69** interchange at Calvert City has a target completion **date** of July 1, 2018.
- The Indiana Finance Authority said in a notice to bond holders it estimates work on Section 5, whi. Daily Journal of Johnson County | Jun 6, 2017 07:50 AM ... <http://www.news-spider.com/cities/IN/Franklin>
- The Indiana Finance Authority said \$236.8 million was needed to complete the extension segment between Bloomington and Martinsville, but only \$72 million ... <http://wane.com/2017/06/06/indiana-may-reclaim-control-of-i-69-project/>

June 5, 2017

- [State says I-69 section can't be completed until August 2018 - IndyStar](#)
www.indystar.com/story/news/2017/06/05/indiana-finance...69.../370165001/
20 hours ago - The state says I-**69** from Bloomington to Martinsville can't be completed until August 2018. ... 'He terrorized me': How an Indy native's torment drives **change** Indianapolis State officials confirmed Monday that the project's new completion **date** ... it crystal clear that finishing I-**69**, **Section 5** and finishing the complete I-**69** is a ...
- [Completion date for I-69 project between Bloomington, Martinsville ...](#)
cbs4indy.com/.../completion-date-for-i-69-project-between-bloomington-martinsville...
16 hours ago - BLOOMINGTON, Ind.-- The I-**69** project between Bloomington and Martinsville has been pushed back again. The Indiana Finance Authority said I-**69 Section 5** ...
- [Indiana again pushes back date to finish I-69 extension - Washington ...](#)
www.washingtontimes.com/.../5/indiana-again-pushes-back-date-to-finish-i-69-exte/
18 hours ago - Indiana officials have again pushed back the projected **date** to complete ... to bond holders it estimates work on **Section 5** will be substantially completed by Aug.
- [Final leg of I-69 completion projection delayed | WISH-TV](#)
wishtv.com/2017/06/05/final-leg-of-i-69-completion-projection-delayed/
14 hours ago - In the interest of moving I-**69 Section 5** to completion, the IFA has engaged in ... This new completion **date** will not affect the opening of four continuous lanes of ...

- [I-69 completion date pushed back for fourth time | News ...](#)
www.heraldtimesonline.com/...date.../article_4fe2dbd6-4a15-11e7-b3ef-532bc766b2...
19 hours ago - The completion **date** for **Section 5** of Interstate **69** has been extended again. ... McFarland early Monday afternoon seeking an explanation for the **change** was ...
- [Indiana again pushes back date to finish I-69 extension - WHIO.com](#)
www.whio.com/news/local/indiana-again...back-date.../oklxqFp4znMQqa93a7kYnJ/
18 hours ago - Indiana officials have again pushed back the projected **date** to complete ... to bond holders it estimates work on **Section 5** will be substantially completed by Aug. Fairborn's Traffic Safety Committee has approved the permanent **changes** and ...
- [Completion of I-69 project between Martinsville, Bloomington pushed ...](#)
fox59.com/.../completion-of-i-69-project-between-martinsville-bloomington-pushed-...
16 hours ago - The Indiana Finance Authority said **I-69 Section 5** won't be complete until August ... The announced completion **date** of August of 2018 is almost a full two years ...
- [State seeks to take over I-69 project; completion date pushed back ...](#)
<https://www.wthr.com/.../state-seeks-to-take-over-i-69-project-completion-date-pushe...>
15 hours ago - The completion **date** for **Section 5** of Interstate **69** has been pushed back again. ... of Interstate **69** is already behind schedule more than a year-and-a-half, **now** ...
- [I-69 statement to bondholders | reporter-times.com](#)
www.reporter-times.com/i...to.../pdf_67ff6d9e-4a22-11e7-b56c-5fac9d147b45.html
17 hours ago - FREE ACCESS: **I-69 Section 5** completion **date** pushed back again, Section 6 not affected. ... Just Released Pics: 2017's Top Trucks Search Truck Ads ... Access subscription services, view and **update** account information, and more ... Hopkins and Woods celebrates 75 years in business (1); Vandals strike **local** cemetery (1) ...
- [Completion date delayed for Section 5 of I-69 | News | 104.1 WIKY](#)
wiky.com/news/articles/2017/jun/05/completion-date-delayed-for-section-5-of-i-69/
18 hours ago - The completion **date** for the next leg of **I-69** has been pushed back. **Section 5**, from Bloomington to Martinsville, will be finished in August of 2018. According to ...
- [Indiana again pushes back date to finish I-69 extension - Journal-News](#)
www.journal-news.com/news/local/indiana...date.../oklxqFp4znMQqa93a7kYnJ/
18 hours ago - The Indianapolis Star reported Monday (<http://indy.st/2qQmZ2N>) the Indiana Finance Authority said in a notice to bond holders it estimates work on **Section 5** ...
- [Indiana again pushes back date to finish I-69 extension - SFGate](#)
www.sfgate.com/news/.../Indiana-again-pushes-back-date-to-finish-I-69-11197062.p...
1 day ago - Indiana again pushes back **date** to finish **I-69** extension. Updated 11:40 am, ... The **section** been plagued by delays since work started in 2014. It was originally ...
- Holcomb reiterated what was said earlier Monday by the Indiana Finance Authority, that the state is in negotiation to reclaim full control of the project, which is
...<http://www.courierpress.com/story/news/2017/06/05/holcomb-completing-section-5--69-still-top-priority/102523388>
- The Indianapolis Star reported Monday (<http://indy.st/2qQmZ2N>) the Indiana Finance Authority said in a notice to bond holders it estimates work on Section 5
..<http://www.charlotteobserver.com/news/business/national-business/article154442094.html>

- The Indianapolis Star reported Monday (<http://indy.st/2qQmZ2N>) the Indiana Finance Authority said in a notice to bond holders it estimates work on Section 5
...http://www.fbherald.com/news/indiana-again-pushes-back-date-to-finish-i--extension/article_8fdf44ed-09bd-5ad1-958e-0f7d9c4140fc.html
- The Indiana Finance Authority says in a statement it anticipates construction of the stretch of interstate from Bloomington to Martinsville will now be complete by
...<http://indianapublicmedia.org/news/i69-bloomington-martinsville-delayed-121003>
- Construction on I-69 Section 5 has been plagued with problems, and now the state wants to take control
<http://ipm.io/2rtQ9aE>
@BabsofBtown <http://twitter.com/wtiunews/statuses/871800376281923585>
- The Indianapolis Star reported Monday (<http://indy.st/2qQmZ2N>) the Indiana Finance Authority said in a notice to bond holders it estimates work on Section 5
...<http://www.dailyjournal.net/2017/06/05/in-interstate-69-delay>
- States estimated completion date for the troubled I-69 Section 5 project is now August 31, 2018....
<http://toplocalnow.com/us/indianapolis/at/11#t4551096>
...<http://twitter.com/IndianapolisCP/statuses/871755506532143104>

Scott.A.Milkey

From: mcfarlandpr@[REDACTED] on behalf of Stephanie McFarland
<stephanie@mcfarlandpr.com>
Sent: Thursday, June 08, 2017 11:58 AM
To: Huge, Dan; Stark, Jim (IFA)
Cc: Pascarella, Mark D; Seiwert, Andy; Arango, Courtney
Subject: MCFARLAND -- EMAIL ISSUES

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

All, our domain (mcfarlandpr.com) email server is down. Please send any emails for the next few hours to both the domain address, and to [mcfarlandpr@\[REDACTED\]](mailto:mcfarlandpr@[REDACTED])

Thanks much.

Steph

--

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Thursday, June 08, 2017 8:47 AM
To: Huge, Dan;Arango, Courtney;Stark, Jim (IFA);Pascarella, Mark D
Cc: Wilson, Stephanie;Jankowski, Jane;Dietrick, Andrew;Abby Saylor
Subject: Herald Times Story
Attachments: Herald Times_Indiana taxpayers likely to end up paying for failed I-69 partnership.pdf; ATT00001.txt

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

FEATURED

Indiana taxpayers likely to end up paying for failed I-69 partnership

By Michael Reschke 812-331-4370 | mreschke@heraldt.com

9 hrs ago

The public-private partnership to build Section 5 of Interstate 69 has failed, and Indiana taxpayers will ultimately end up paying for the state's mistake, according to a local public finance expert.

While the Indiana Finance Authority has not officially declared I-69 Development Partners in default, it's only a matter of time unless something fundamentally changes, said Craig Johnson, associate professor at Indiana University's School of Public and Environmental Affairs.

"This is not one of their better days," he said referring to the state government.

The public-private partnership created to get the 21-mile section of interstate built wasn't one of the state's best deals, either. Reviewing the details after the state announced plans to take control of the project earlier this week, Johnson said he was surprised by its structure.

In 2014, the state finance authority sold nearly \$244 million worth of tax-exempt, private activity bonds on behalf of the private developer to help finance a project I-69 Development Partners said they could do for about \$325 million.

"The primary reason this was risky is because the company didn't have to put up much equity," Johnson said.

A deal where the state and the private developer were each responsible for financing half the construction costs would have been more reasonable, he said.

But because the state sold tax-exempt bonds that provided a lower interest rate for I-69 Development Partners, the state ideally should have taken on less risk than the private developer.

Johnson isn't the only one who recognized this as a bad deal. When the bonds were sold, they were given initial ratings of BB- from Standard & Poor's and BBB from Fitch Ratings.

"I don't know why they settled on a triple B rating, especially when we're a triple A-rated state," Johnson said in reference to the state of Indiana's credit rating. "The only interest in settling on this rating I could see is that they just wanted to get the deal done, basically, and they didn't negotiate a better deal."

The bonds have since been downgraded multiple times due to project delays. At last check, Standard and Poor's had them at CCC- and Fitch had given them a B- rating, both well below investment grade, or junk.

While the bondholders have not agreed to a settlement, the state is pursuing a buyout. It plans to use the proceeds from new bonds to be sold by Sept. 1 to pay for the buyout.

The state estimated it will cost \$236 million to complete the Section 5 project. The source of that money will be determined at the end of negotiations between the state finance authority, I-69 Development Partners and the bondholders, said Dan Huge, the state's public finance director, in an email Wednesday.

"Those negotiations are currently in progress," he said in the email.

Johnson expects bonds will also be used to pay for the remaining construction costs. However, these won't be private activity bonds if the state's plan for the Indiana Department of Transportation to oversee the completion of the project comes to fruition.

The most likely scenario is for the state finance authority to sell highway revenue refinancing bonds. Johnson said with this type of bond, the state of Indiana would make an appropriation to INDOT, which would then pay the state finance authority. The finance authority would then make debt service payments to bondholders.

So where will the state get that money from?

"Ultimately, taxpayers and rate payers," Johnson said. "It's coming from the citizens of Indiana."

Scott.A.Milkey

From: Arango, Courtney
Sent: Thursday, June 08, 2017 7:23 AM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com); Abby Saylor
Cc: Huge, Dan; Wilson, Stephanie; Jankowski, Jane
Subject: Re: Indiana taxpayers likely to end up paying for failed I-69 partnership | Local news | heralddtimesonline.com

Thanks

Courtney Arango
Sent from a mobile device; please excuse typos.

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Thursday, June 8, 2017 7:06:03 AM
To: Abby Saylor
Cc: Huge, Dan; Arango, Courtney
Subject: Indiana taxpayers likely to end up paying for failed I-69 partnership | Local news | heralddtimesonline.com

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Abby, can please get this full article for me as soon as you can this morning? I need to circulate this to the IFA team. Thanks.

http://www.heralddtimesonline.com/news/local/indiana-taxpayers-likely-to-end-up-paying-for-failed-i/article_191b5a2d-10ae-5fbc-9847-091a31a57b89.html

Stephanie McFarland, APR
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Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Thursday, June 08, 2017 7:06 AM
To: Abby Saylor
Cc: Huge, Dan; Arango, Courtney
Subject: Indiana taxpayers likely to end up paying for failed I-69 partnership | Local news | heraldtimesonline.com

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. **** _____

Abby, can please get this full article for me as soon as you can this morning? I need to circulate this to the IFA team. Thanks.

http://www.heraldtimesonline.com/news/local/indiana-taxpayers-likely-to-end-up-paying-for-failed-i/article_191b5a2d-10ae-5fbe-9847-091a31a57b89.html

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Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Wednesday, June 07, 2017 7:01 PM
To: Arango, Courtney;Huge, Dan
Subject: Fwd: INDIANA FINANCE AUTHORITY -- FOLLOW UP

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

I'll go back through my emails, but I think I sent a proposed response for that yesterday -- and Dan you said you were good with the approach. It was late in the day. I'll check in with you guys tomorrow.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Begin forwarded message:

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
Date: June 7, 2017 at 6:31:25 PM EDT
To: "stephanie@mcfarlandpr.com" <stephanie@mcfarlandpr.com>, "Lange, Kaitlin" <kaitlin.lange@courierpress.com>
Subject: RE: INDIANA FINANCE AUTHORITY -- FOLLOW UP

Stephanie ... Will you be answering our follow-up questions from yesterday? Thanks. --Mark

From: stephanie@mcfarlandpr.com [<mailto:stephanie@mcfarlandpr.com>]
Sent: Wednesday, June 07, 2017 6:22 PM
To: Alesia, Mark; Lange, Kaitlin
Subject: INDIANA FINANCE AUTHORITY -- FOLLOW UP

Mark/Kaitlin, please see response from Dan Huge below regarding your longer list of questions.

Mark and Kaitlin,

The Indiana Finance Authority has a contractual relationship with the legal entity I-69 Development Partners. The IFA does not have a contractual relationship with Isolux Corsan or Isolux Grupo. We have never had a contract with either of these entities. I-69 Development Partners has contracted with Isolux Corsan to serve as its design-build subcontractor on the project. All questions related to Isolux are best answered by I-69 Development Partners, as they are contractually responsible for the work and actions of Isolux as it relates to this project.

All questions related to Gary Vandergriff as an employee of I-69 Development Partners are best answered by the developer. As you know, it is the responsibility of the individual to seek a waiver if he/she believes the state statute applies to their specific situation.

Regarding transparency -- the P3 and traditional bond financing follow a similar process in that they both must be approved by the IFA board and reviewed for compliance by the State Budget Committee. The IFA board is made up of the both State and non-state experts, and an elected official with deep expertise and responsibilities related to public financing. The State Budget Committee is made up of elected officials assigned to review bond issuance or P3 financing structures. These meetings are open to the public. The P3 financing decision related to I-69 Section 5 followed this process, which did involve review from elected officials. The OMB director, and officials with IFA and INDOT were responsible for making the P3 financing recommendation to the IFA board, and the State Budget Committee. By standard procurement process, the governor is required to give final sign off - but only after State Budget Committee review.

The procurement process for I-69 Section 5 began with a request for qualifications phase, in which all interested bidders submitted a report prepared by an independent party assessing their technical capability and fiscal viability to undertake the project. This is an industry best practice as well as a standard part of the State's procurement process. No bidder was permitted to move beyond this step without satisfying this qualification phase. The RFQ process produced a "short list" of interested bidders who were then invited to participate in the request for proposal process.

The process to select from among those who submitted proposals involved the U.S. Department of Transportation's federal highway division, technical and legal experts, and INDOT and IFA officials and internal experts. The U.S. DOT's Federal Highway division was engaged throughout the procurement process, and was in the room to observe the scoring. Additionally, expert advisors analyzed technical and financial aspects of bidder proposals based on industry expertise - including significant difference in bid amounts. But the scoring and bid award rested solely with INDOT and IFA staff.

In terms of the MOU, it was a proposed solution that required financial commitment before it could be executed. Isolux Corsan had to demonstrate to its contractual authority (I-69 Development Partners) that it had the financial viability to enter into the MOU. It was during that process that I-69 Development Partners discovered its design-build contractor's parent company was facing financial distress.

State officials continue communicating with Mayor Hamilton and other local officials in the Bloomington area throughout the entirety of this project. The IFA and INDOT have also provided presentations and updates to the Bloomington MPO at the mayor's invitation.

As we have with previous P3 projects, we will learn and evolve how we approach future projects. I-69 is one of the most significant road projects currently in progress in the United States. We look forward to the day it is completed, and the contribution it will make to Indiana and beyond.

Sincerely,

Dan Huges

Public Finance Director

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Wednesday, June 07, 2017 6:26 PM
To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney; Pascarella, Mark D
Subject: Fwd: Re: FOLLOW UP -- INDIANA FINANCE AUTHORITY -- I-69 SECTION 5

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OMG -- I have suggested he reread it, more carefully.

----- Original Message -----

From: Michael Reschke <mreschke@heraldt.com>
To: "stephanie@mcfarlandpr.com" <stephanie@mcfarlandpr.com>
Date: June 7, 2017 at 6:14 PM
Subject: Re: FOLLOW UP -- INDIANA FINANCE AUTHORITY -- I-69 SECTION 5

Thank you, Stephanie.

As for the buyout offer, it looked like it's \$36.2 million according to what I read in the EMMA report. That seemed really low considering nearly \$244 million worth of bonds were sold to finance the project. There was also a lot of language associated with those figures, so that's why I was trying to get clarification.

So am I reading that report correctly that \$36.2 million is the buyout offer?

- Michael

From: stephanie@mcfarlandpr.com <stephanie@mcfarlandpr.com>
Sent: Wednesday, June 7, 2017 5:49 PM
To: Michael Reschke
Subject: FOLLOW UP -- INDIANA FINANCE AUTHORITY -- I-69 SECTION 5

Michael, please see below from Dan Huge. Thanks.

Michael,

Thank you for your questions. Any questions related to the developer and its relationship with Isolux Corsan will need to be directed to I-69 Development Partners – who owns that contractual relationship. The State does not, nor has had, a contractual relationship with Isolux Corsan.

IFA's statement Monday indicated the reason for moving forward with the goal to assume control of the project – in which INDOT would oversee construction, and the long-term operation and management of the roadway.

The posting on EMMA also provides information on the circumstances surrounding our decision to move forward with the goal of assuming control of the project. The buyout offer information you requested is also in the EMMA posting. (The link was provided Monday as part of our statement to interested news-media outlets.) Please let Stephanie know if we need to resend these items.

In terms of funding to complete the project, and its final cost, that will be determined at the close of negotiations with the developer and the developer's bond holders. Those negotiations are currently in progress.

I hope this information is helpful. Again, once negotiations are complete, more information will become available.

Sincerely,

Dan Huges

Public Finance Director

Indiana Finance Authority

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Stephanie McFarland, APR

Senior Issue-Management Consultant
McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Wednesday, June 07, 2017 5:51 PM
To: Huge, Dan; Stark, Jim (IFA)
Cc: Arango, Courtney
Subject: Fwd: FOLLOW UP -- INDIANA FINANCE AUTHORITY -- I-69 SECTION 5

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

FYI. Thanks much, Court!

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: mreschke@heraldt.com
Date: June 7, 2017 at 5:49 PM
Subject: FOLLOW UP -- INDIANA FINANCE AUTHORITY -- I-69 SECTION 5

Michael, please see below from Dan Huge. Thanks.

Michael,

Thank you for your questions. Any questions related to the developer and its relationship with Isolux Corsan will need to be directed to I-69 Development Partners – who owns that contractual relationship. The State does not, nor has had, a contractual relationship with Isolux Corsan.

IFA's statement Monday indicated the reason for moving forward with the goal to assume control of the project – in which INDOT would oversee construction, and the long-term operation and management of the roadway.

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I hope this information is helpful. Again, once negotiations are complete, more information will become available.

Sincerely,

Dan Huge

Public Finance Director

Indiana Finance Authority

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Wednesday, June 07, 2017 11:40 AM
To: yvette.shields@sourcemediacom.com
Cc: Wilson, Stephanie
Subject: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Yvette, please see below. Thanks.

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: STEPHANIE@MCFARLANDPR.COM
Date: June 5, 2017 at 2:34 PM
Subject: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

MEDIA RESPONSE -- PLEASE SEE STATEMENT FROM INDIANA FINANCE AUTHORITY BELOW

STATEMENT ON I-69 SECTION 5:

"In the interest of moving I-69 Section 5 to completion, the IFA has engaged in negotiations with the developer's bond holders and has made an offer to buy out the bonds and transition the I-69 Section 5 project under the State's direct management. The developer's bond holders have not accepted IFA's offer to date. At this time, the state is moving forward with the goal of assuming control of the project.

"In the process of negotiations with developer's bondholders, the door was opened for IFA and INDOT to discuss the project schedule with various subcontractors working on the project. Based on that expertise, the State is revising the completion date to on or before August 2018. This new completion date will not affect the opening of four continuous lanes of traffic in the greater Bloomington area in August 2017." -- Dan Huge, public finance director, Indiana Finance Authority

Link to official disclosure posting: <https://emma.msrb.org/EP1002054-EP776824-EP1178551.pdf>

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Wednesday, June 07, 2017 11:32 AM
To: Wilson, Stephanie;Shields, Yvette
Cc: Huge, Dan
Subject: Re: I NEVER got the announcement about I-69??????

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

We did not make an announcement -- there was an EMMA posting available. We did respond to media outlets that inquired about the posting. I'll send you what we shared with media that made outreach to us. Please look for that email shortly.

On June 7, 2017 at 11:23 AM "Shields, Yvette" <yvette.shields@sourcemedia.com> wrote:

and was about to email about the downgrade.

"This communication is intended solely for the addressee and is confidential and not for third party unauthorized distribution"

Stephanie McFarland, APR

Senior Issue-Management Consultant
McFarland PR & Public Affairs, Inc.
211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Wednesday, June 07, 2017 11:10 AM
To: DHUGE@domain.invalid; Stark, Jim (IFA); Dietrick, Andrew; Arango, Courtney; Seiwert, Andy; Pascarella, Mark D
Subject: MEDIA COVERAGE -- I-69 SECTION 5 EMMA POSTING

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

All, below is a running list of media coverage captured to date regarding the EMMA posting. We know we have some errors to correct with media, some of which the developer will need to address.

Steph

Indiana Finance Authority | I-69 Section 5 Completion Date Change: June 2017 Media Coverage

June 6, 2017

- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-2>
- The state of Indiana is to move forward with assuming control of the I-69 Section 5 P3 project. Read more... 6 June 2017 - IO names Hurontario LRT shortlist. <http://www.p3bulletin.com/news>
- ... a private developer for it. On Monday, the Indiana Finance Authority announced the proposed takeover along with the projects fourth delayed completion date. <http://www.wopular.com/uks-economic-divide-takes-focus-mays-lead-shrinks>
- ... 69 extension segment between Bloomington and Martinsville. The Indianapolis Star reports the Indiana Finance Authority says in a notice to bond holders [...] ... <http://www.wqtyradio.com>
- On Monday, the Indiana Finance Authority announced the proposed takeover along with the projects fourth delayed completion date. Gov. Eric Holcomb says ... <http://www.wpta21.com/story/35600563/indiana-may-reclaim-control-of-i-69-project>
- ... with the developers bondholders and has made an offer to buy out the bonds and transition the I-69 Section 5 project under the states direct management." <http://www.smartbrief.com/branded/91F4B281-2E1D-4492-AC81-F51EDC8C14C3/42F58281-576F-4ED0-B5D7-BBA296FA99C1>

- ... project three years after hiring a private developer for it. On Monday, the Indiana Finance Authority announced the proposed takeover along with the project
https://news.google.pk/news/more?ncl=dah59eS7WCwkyOM&authuser=0&ned=en_pk
- The state of Indiana is to move forward with assuming control of the I-69 Section 5 P3 project. Read more... 6 June 2017 - IO names Hurontario LRT shortlist. <http://www.p3bulletin.com/news>
- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-0>
- Instead, the Indiana Finance Authority confirms its negotiating to buy out the Spanish developers bondholders and finish the project itself. The latest delay has ... <http://www.wibc.com/news/local-news/indiana-will-ditch-i-69-contractor-complete-bloomington-martinsville-work-itself>
- On Monday, the Indiana Finance Authority announced the proposed takeover along with the projects fourth delayed completion date. Gov. Eric Holcomb says ... <http://wane.com/2017/06/06/indiana-may-reclaim-control-of-i-69-project>
- The Indiana Finance Authority said I-59 "section five" wont be complete until August 2018 Thats nearly two years after it was supposed to be finished. This. <http://44news.wevv.com>
- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-2>
- BLOOMINGTON — The state of Indiana hopes to assume control of an Interstate 69 extension project three years after hiring a private developer to complete the
...http://www.suncommercial.com/news/article_c88de7be-4b1a-11e7-a155-27cc009a5809.html
- The newspaper adds, “The states negotiations to buy out the bonds for the project have been unsuccessful so far,” but the Indiana Finance Authority (IFA) has ... <https://tollroadsnews.com/news-briefs/daily-news-briefs-june-6-2017>
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June 5, 2017

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...<http://twitter.com/IndianapolisCP/statuses/871755506532143104>

On June 7, 2017 at 10:22 AM Abby Saylor <abby@mcfarlandpr.com> wrote:

Steph -- please see the I-69 section 5 completion date change media coverage report below. Is this what you were looking for? It's also linked below if you prefer that format and would rather send it over that way. If you want me to flip the dates or anything else, just let me know. Thanks!

https://www.dropbox.com/s/g5y2tc20yzonm2g/IFA_%20Media%20Coverage_I-69%20Section%205%20Completion%20Date%20Change_June%202017.docx?dl=0

Abby Saylor

Public Relations Specialist

McFarland PR & Public Affairs

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317-602-1546 ext. 4 | abby@mcfarlandpr.com

Indiana Finance Authority | I-69 Section 5 Completion Date Change: June 2017 Media Coverage

June 5, 2017

- [State says I-69 section can't be completed until August 2018 - IndyStar](http://www.indystar.com/story/news/2017/06/05/indiana-finance...69.../370165001/)
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June 6, 2017

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Stephanie McFarland, APR

Senior Issue-Management Consultant

McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Wednesday, June 07, 2017 11:10 AM
To: Stark, Jim (IFA);Dietrick, Andrew;Arango, Courtney;Seiwert, Andy;Pascarella, Mark D;Huge, Dan
Subject: MEDIA COVERAGE -- I-69 SECTION 5 EMMA POSTING

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

All, below is a running list of media coverage captured to date regarding the EMMA posting. We know we have some errors to correct with media, some of which the developer will need to address.

Steph

Indiana Finance Authority | I-69 Section 5 Completion Date Change: June 2017 Media Coverage

June 6, 2017

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<http://toplocalnow.com/us/indianapolis/at/11#t4551096>
...<http://twitter.com/IndianapolisCP/statuses/871755506532143104>

On June 7, 2017 at 10:22 AM Abby Saylor <abby@mcfarlandpr.com> wrote:

Steph -- please see the I-69 section 5 completion date change media coverage report below. Is this what you were looking for? It's also linked below if you prefer that format and would rather send it over that way. If you want me to flip the dates or anything else, just let me know. Thanks!

https://www.dropbox.com/s/g5y2tc20yzonm2g/IFA_%20Media%20Coverage_I-69%20Section%205%20Completion%20Date%20Change_June%202017.docx?dl=0

Abby Saylor

Public Relations Specialist

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211 S Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 4 | abby@mcfarlandpr.com

Indiana Finance Authority | I-69 Section 5 Completion Date Change: June 2017 Media Coverage

June 5, 2017

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Stephanie McFarland, APR

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McFarland PR & Public Affairs, Inc.

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317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Wednesday, June 07, 2017 11:10 AM
To: DHUGE@domain.invalid; Stark, Jim (IFA); Dietrick, Andrew; Arango, Courtney; Seiwert, Andy; Pascarella, Mark D
Subject: MEDIA COVERAGE -- I-69 SECTION 5 EMMA POSTING

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

All, below is a running list of media coverage captured to date regarding the EMMA posting. We know we have some errors to correct with media, some of which the developer will need to address.

Steph

Indiana Finance Authority | I-69 Section 5 Completion Date Change: June 2017 Media Coverage

June 6, 2017

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www.heraldtimesonline.com/...date.../article_4fe2dbd6-4a15-11e7-b3ef-532bc766b2...
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- [Completion of I-69 project between Martinsville, Bloomington pushed ...](#)
fox59.com/.../completion-of-i-69-project-between-martinsville-bloomington-pushed-...
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<https://www.wthr.com/.../state-seeks-to-take-over-i-69-project-completion-date-pushe...>
15 hours ago - The completion date for Section 5 of Interstate 69 has been pushed back again. ... of Interstate 69 is already behind schedule more than a year-and-a-half, now ...
- [I-69 statement to bondholders | reporter-times.com](#)
www.reporter-times.com/i...to.../pdf_67ff6d9e-4a22-11e7-b56c-5fac9d147b45.html
17 hours ago - FREE ACCESS: I-69 Section 5 completion date pushed back again, Section 6 not affected. ... Just Released Pics: 2017's Top Trucks Search Truck Ads ... Access subscription services, view and update account information, and more ... Hopkins and Woods celebrates 75 years in business (1); Vandals strike local cemetery (1) ...
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wiky.com/news/articles/2017/jun/05/completion-date-delayed-for-section-5-of-i-69/
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www.journal-news.com/news/local/indiana...date.../oklxqFp4znMQqa93a7kYnJ/
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- [Indiana again pushes back date to finish I-69 extension - SFGate](#)
www.sfgate.com/news/.../Indiana-again-pushes-back-date-to-finish-I-69-11197062.p...
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- The Indiana Finance Authority says in a statement it anticipates construction of the stretch of interstate from Bloomington to Martinsville will now be complete by ... <http://indianapublicmedia.org/news/i69-bloomington-martinsville-delayed-121003>
- Construction on I-69 Section 5 has been plagued with problems, and now the state wants to take control
<http://ipm.io/2rtQ9aE> @BabsofBtown <http://twitter.com/wtiunews/statuses/871800376281923585>

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- States estimated completion date for the troubled I-69 Section 5 project is now August 31, 2018....
<http://toplocalnow.com/us/indianapolis/at/11#t4551096>
...<http://twitter.com/IndianapolisCP/statuses/871755506532143104>

On June 7, 2017 at 10:22 AM Abby Saylor <abby@mcfarlandpr.com> wrote:

Steph -- please see the I-69 section 5 completion date change media coverage report below. Is this what you were looking for? It's also linked below if you prefer that format and would rather send it over that way. If you want me to flip the dates or anything else, just let me know. Thanks!

https://www.dropbox.com/s/g5y2tc20yzonm2g/IFA_%20Media%20Coverage_I-69%20Section%205%20Completion%20Date%20Change_June%202017.docx?dl=0

Abby Saylor

Public Relations Specialist

McFarland PR & Public Affairs

211 S Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 4 | abby@mcfarlandpr.com

Indiana Finance Authority | I-69 Section 5 Completion Date Change: June 2017 Media Coverage

June 5, 2017

- [State says I-69 section can't be completed until August 2018 - IndyStar](http://www.indystar.com/story/news/2017/06/05/indiana-finance...69.../370165001/)
www.indystar.com/story/news/2017/06/05/indiana-finance...69.../370165001/
20 hours ago - The state says I-69 from Bloomington to Martinsville can't be completed until August 2018. ... 'He terrorized me': How an Indy native's torment drives change Indianapolis State officials confirmed Monday that the project's new completion date ... it crystal clear that finishing I-69, Section 5 and finishing the complete I-69 is a ...
- [Completion date for I-69 project between Bloomington, Martinsville ...](http://cbs4indy.com/.../completion-date-for-i-69-project-between-bloomington-martinsville...)
cbs4indy.com/.../completion-date-for-i-69-project-between-bloomington-martinsville...
16 hours ago - BLOOMINGTON, Ind.-- The I-69 project between Bloomington and Martinsville has been pushed back again. The Indiana Finance Authority said I-69 Section 5 ...
- [Indiana again pushes back date to finish I-69 extension - Washington ...](http://www.washingtontimes.com/.../5/indiana-again-pushes-back-date-to-finish-i-69-exte/)
www.washingtontimes.com/.../5/indiana-again-pushes-back-date-to-finish-i-69-exte/

18 hours ago - Indiana officials have again pushed back the projected date to complete ... to bond holders it estimates work on Section 5 will be substantially completed by Aug.

- [Final leg of I-69 completion projection delayed | WISH-TV](http://wistv.com/2017/06/05/final-leg-of-i-69-completion-projection-delayed/)
wistv.com/2017/06/05/final-leg-of-i-69-completion-projection-delayed/
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<http://www.courierpress.com/story/news/2017/06/05/holcomb-completing-section-5--69-still-top-priority/102523388>

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- The Indiana Finance Authority says in a statement it anticipates construction of the stretch of interstate from Bloomington to Martinsville will now be complete by ... <http://indianapublicmedia.org/news/i69-bloomington-martinsville-delayed-121003>
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June 6, 2017

- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-2>
- The state of Indiana is to move forward with assuming control of the I-69 Section 5 P3 project. Read more... 6 June 2017 - IO names Hurontario LRT shortlist. <http://www.p3bulletin.com/news>
- ... a private developer for it. On Monday, the Indiana Finance Authority announced the proposed takeover along with the projects fourth delayed completion date. <http://www.wopular.com/uks-economic-divide-takes-focus-mays-lead-shrinks>
- ... 69 extension segment between Bloomington and Martinsville. The Indianapolis Star reports the Indiana Finance Authority says in a notice to bond holders [...] ... <http://www.wqtyradio.com>

- On Monday, the Indiana Finance Authority announced the proposed takeover along with the projects fourth delayed completion date. Gov. Eric Holcomb says ... <http://www.wpta21.com/story/35600563/indiana-may-reclaim-control-of-i-69-project>
- ... with the developers bondholders and has made an offer to buy out the bonds and transition the I-69 Section 5 project under the states direct management." <http://www.smartbrief.com/branded/91F4B281-2E1D-4492-AC81-F51EDC8C14C3/42F58281-576F-4ED0-B5D7-BBA296FA99C1>
- ... project three years after hiring a private developer for it. On Monday, the Indiana Finance Authority announced the proposed takeover along with the project https://news.google.pk/news/more?ncl=dah59eS7WCwkyOM&authuser=0&ned=en_pk
- The state of Indiana is to move forward with assuming control of the I-69 Section 5 P3 project. Read more... 6 June 2017 - IO names Hurontario LRT shortlist. <http://www.p3bulletin.com/news>
- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-0>
- Instead, the Indiana Finance Authority confirms its negotiating to buy out the Spanish developers bondholders and finish the project itself. The latest delay has ... <http://www.wibc.com/news/local-news/indiana-will-ditch-i-69-contractor-complete-bloomington-martinsville-work-itself>
- On Monday, the Indiana Finance Authority announced the proposed takeover along with the projects fourth delayed completion date. Gov. Eric Holcomb says ... <http://wane.com/2017/06/06/indiana-may-reclaim-control-of-i-69-project>
- The Indiana Finance Authority said I-59 "section five" wont be complete until August 2018 Thats nearly two years after it was supposed to be finished. This. <http://44news.wevv.com>
- The Indiana Finance Authority announced the proposed takeover Monday ... 06/6/2017 - 10:19 am | View Link; Final leg of I-69 completion projection delayed <http://www.wopular.com/why-i-69-extension-taking-so-long-2>
- BLOOMINGTON — The state of Indiana hopes to assume control of an Interstate 69 extension project three years after hiring a private developer to complete the ...http://www.suncommercial.com/news/article_c88de7be-4b1a-11e7-a155-27cc009a5809.html
- The newspaper adds, “The states negotiations to buy out the bonds for the project have been unsuccessful so far,” but the Indiana Finance Authority (IFA) has ... <https://tollroadsnews.com/news-briefs/daily-news-briefs-june-6-2017>

- ... secured issue rating to CCC- from B- on the Indiana Finance Authoritys (IFA) outstanding \$240.315 million long-term private activity bonds (PABs) series. <http://www.thailand4.com/.fin/2017-06-07/22ef418b5cfc61f0647f573950ba534d>
- The Indiana Finance Authority announced the proposed takeover Monday, along with the projects fourth delayed completion date of August 2018. The state ... <https://www.ibj.com/articles/64104-indiana-may-reclaim-control-of-delayed-interstate-69-project>
- The completion of Section 5 of I-69 connecting Bloomington with Martinsville has been delayed. Thank you for reading! Please log in, or sign up for a new ... http://www.heraldtimesonline.com/news/opinion/further-delay-of-i--is-no-joking-matter/article_31630cd4-734c-507b-aafb-c4e60a152245.html
- [Heartland road projects for 6/6 - KFVS12 News & Weather Cape ...](#)
www.kfvs12.com/story/25486703/heartland-road-projects-for-65

19 hours ago -Thissectionof road is located between Route E and Route H. Weather ... Weather permitting, the bridge will close Monday, June5and re-open Monday, ... The work zone configuration maychange from time to time to facilitate this ... The new I-24/I-69interchange at Calvert City has a target completiondateof July 1, 2018.

Abby Saylor

Public Relations Specialist

McFarland PR & Public Affairs

211 S Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 4 | abby@mcfarlandpr.com

Stephanie McFarland, APR

Senior Issue-Management Consultant

McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Arango, Courtney
Sent: Tuesday, June 06, 2017 4:56 PM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com)
Subject: RE: PER MY VOICE MAIL -- WORK IN PROGRESS ALONG I-69 SECTION 5

-----Original Message-----

From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
Sent: Tuesday, June 6, 2017 4:28 PM
To: Arango, Courtney <CArango1@gov.IN.gov>
Subject: Re: PER MY VOICE MAIL -- WORK IN PROGRESS ALONG I-69 SECTION 5

> On Jun 6, 2017, at 4:19 PM, Arango, Courtney <CArango1@gov.IN.gov> wrote:

> From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
> Sent: Tuesday, June 6, 2017 4:16 PM

> To: Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA)
> <JStark1@ifa.IN.gov>; Dietrick, Andrew <ADietrick@indot.IN.gov>; Flum,
> Sandra <SFlum@indot.IN.gov>
> Cc: Arango, Courtney <CArango1@gov.IN.gov>
> Subject: Fwd: PER MY VOICE MAIL -- WORK IN PROGRESS ALONG I-69 SECTION

> Begin forwarded message:
> From: Stephanie McFarland
> <stephanie@mcfarlandpr.com<mailto:stephanie@mcfarlandpr.com>>
> Date: June 6, 2017 at 4:13:50 PM EDT
> To: Christian Harper
> <charper@webershandwick.com<mailto:charper@webershandwick.com>>
> Subject: PER MY VOICE MAIL -- WORK IN PROGRESS ALONG I-69 SECTION 5
>
> Christian, per my voice mail earlier today.
>
> * Work continues all along the I-69 Section 5 project.
> * There is a lot of earth-moving and bridge work in progress at this time.
> * Paving is also occurring at night in some locations.
> * Currently, most of the work is concentrated in the southern portion of the project, with emphasis near Sample Road.
> * There is blasting going on twice per day, and when that is in progress, workers may not be visible -- which is a safety measure.
> * Some equipment is situated in ravines along side of the road, and may not be visible to motorists traveling the construction zone.
>
>
>
>
>
>
>
> Stephanie McFarland, APR
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> Senior Issue-Management Consultant
> McFarland PR & Public Affairs, Inc.
> 211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
> 317-602-1546 ext. 2 |
> stephanie@mcfarlandpr.com<mailto:abby@mcfarlandpr.com>
> <winmail.dat>

Scott.A.Milkey

From: Arango, Courtney
Sent: Tuesday, June 06, 2017 4:19 PM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com)
Cc: Jankowski, Jane; Wilson, Stephanie
Subject: RE: PER MY VOICE MAIL -- WORK IN PROGRESS ALONG I-69 SECTION 5

+ Jane and Steph Wilson for situational awareness of the progress/work currently taking place on I-69 Section 5.

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317- [REDACTED]

Follow Governor Eric Holcomb on [Twitter](#), [Facebook](#), & [Instagram](#)

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Cc: Arango, Courtney <CArango1@gov.IN.gov>
Subject: Fwd: PER MY VOICE MAIL -- WORK IN PROGRESS ALONG I-69 SECTION 5

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

FYI

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Begin forwarded message:

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Date: June 6, 2017 at 4:13:50 PM EDT
To: Christian Harper <charper@webershandwick.com>
Subject: PER MY VOICE MAIL -- WORK IN PROGRESS ALONG I-69 SECTION 5

Christian, per my voice mail earlier today.

- Work continues all along the I-69 Section 5 project.
- There is a lot of earth-moving and bridge work in progress at this time.

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Sent: Tuesday, June 06, 2017 4:19 PM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com)
Cc: Jankowski, Jane; Wilson, Stephanie
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+ Jane and Steph Wilson for situational awareness of the progress/work currently taking place on I-69 Section 5.

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317-██████████

Follow Governor Eric Holcomb on [Twitter](#), [Facebook](#), & [Instagram](#)

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McFarland PR & Public Affairs, Inc.

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Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Tuesday, June 06, 2017 3:53 PM
To: Huge, Dan
Cc: Arango, Courtney
Subject: Fwd: FW: Request for answers to questions of public interest - Indy Star - Alesia

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FYI

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: "Alesia, Mark" <Mark.Alesia@indystar.com>, kaitlin.lange@courierpress.com, Steve.Berta@indystar.com
Date: June 6, 2017 at 3:52 PM
Subject: FW: Request for answers to questions of public interest - Indy Star - Alesia

Mark, please note Dan acknowledges receipt of your email below.

From: Alesia, Mark [mailto:Mark.Alesia@indystar.com]
Sent: Tuesday, June 06, 2017 3:04 PM
To: Huge, Dan <DHuge@ifa.IN.gov>
Cc: Lange, Kaitlin <kaitlin.lange@courierpress.com>; Berta, Steve <Steve.Berta@indystar.com>
Subject: Request for answers to questions of public interest

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Mr. Huge,

We're reaching out because in the middle of a breaking news story of great public concern, nobody from the Indiana Finance Authority has been available to answer questions. We do not receive prompt responses --- or, lately, any response at all --- from your contracted public relations person, Stephanie McFarland.

This is not consistent with a public agency that cares about accessibility and transparency to the citizens it serves.

We have submitted two sets of written questions to Stephanie McFarland with no answers. We are preparing an extensive story about I-69 Section 5 and intend to make clear how IFA and our public officials have reacted to requests going back several weeks now.

Once again, we're asking for an in-person interview with you or people knowledgeable about the I-69 Section 5 project. Short of that, we're asking for answers to the written questions we've provided and the public documents we've requested through APRA. Some of those requests are now more than 30 days old.

Please respond so we know you received this. Thank you.

--Mark Alesia and Kaitlin Lange

Mark Alesia

Reporter



317.444.6311

@markalesia

Stephanie McFarland, APR
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Stephanie McFarland, APR

Senior Issue-Management Consultant
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Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Tuesday, June 06, 2017 12:49 PM
To: Huge, Dan
Cc: Stark, Jim (IFA); Arango, Courtney
Subject: Re: MEDIA INQUIRIES TODAY

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Dan, sans the Indy Star, we've sent all on that list the statement we issued out yesterday. I told WIBC I don't think an interview today is going to be feasible, just due to schedules.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

On Jun 6, 2017, at 12:41 PM, Huge, Dan <DHuge@ifa.IN.gov> wrote:

The hits just keep coming.

Dan Huge
Indiana Finance Authority
One North Capitol Ave., Ste 900
Indianapolis, IN 46204
317-234-2916
dhuge@ifa.in.gov

From: stephanie@mcfarlandpr.com [<mailto:stephanie@mcfarlandpr.com>]
Sent: Tuesday, June 06, 2017 12:01 PM
To: Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>
Cc: Arango, Courtney <CArango1@gov.IN.gov>
Subject: MEDIA INQUIRIES TODAY

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Here is a brief list of the media outlets inquiring about the EMMA posting. FYI.

- New York Times
- Indy Star
- WIBC
- WCBK
- P3 Bulletin

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Scott.A.Milkey

From: Arango, Courtney
Sent: Tuesday, June 06, 2017 12:01 PM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com); Huge, Dan; Stark, Jim (IFA)
Subject: RE: MEDIA INQUIRIES TODAY

I will call you at 12:15, Steph

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317- [REDACTED]

Follow Governor Eric Holcomb on [Twitter](#), [Facebook](#), & [Instagram](#)

From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]
Sent: Tuesday, June 6, 2017 12:01 PM
To: Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>
Cc: Arango, Courtney <CArango1@gov.IN.gov>
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Scott.A.Milkey

From: Wilson, Stephanie
Sent: Tuesday, June 06, 2017 9:28 AM
To: Jankowski, Jane;Arango, Courtney;McKinney, Caroline;Vincent, Micah;Dudich, Jason;Huge, Dan;McFarland, Stephanie (Stephanie@McFarlandpr.com)
Subject: FW: New 50-state report from Pew on state debt
Attachments: Strategies for Managing State Debt_The Pew Charitable Trusts.pdf

FYI, this report will be released at 4 p.m. today.

From: Rachel Gilbert [mailto:rgilbert2@pewtrusts.org]
Sent: Tuesday, June 6, 2017 9:21 AM
To: Wilson, Stephanie <StepWilson@gov.IN.gov>
Subject: RE: New 50-state report from Pew on state debt

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Good morning, Stephanie,

See attached -- please note this report is embargoed until today, June 6, at 4 p.m. EDT. It will be released on our website then at <http://www.pewtrusts.org/en/projects/states-fiscal-health>.

Let me know if you have any questions.

Best,

Rachel

From: Wilson, Stephanie [mailto:StepWilson@gov.IN.gov]
Sent: Tuesday, June 06, 2017 9:18 AM
To: Rachel Gilbert
Subject: RE: New 50-state report from Pew on state debt

Yes, Rachel, thank you! May we have an embargoed copy?

From: Rachel Gilbert [mailto:rgilbert2@pewtrusts.org]
Sent: Monday, June 5, 2017 5:34 PM
To: Wilson, Stephanie <StepWilson@gov.IN.gov>
Subject: New 50-state report from Pew on state debt

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Good evening, Stephanie,

On Tuesday, June 6, at 4 p.m. EDT, The Pew Charitable Trusts will release a new report that examines strategies for managing state debt.

When a state government faces a large expense, such as expanding a highway or restoring an old bridge, officials often borrow the money to fund the projects, which spreads out the costs over time and to future generations of taxpayers. However, gauging whether a state can afford to take on new debt—and how much—can be difficult.

Pew's latest report examines this challenge and provides our recommendations for how states can best address it. The 50-state report, "Strategies for Managing State Debt: Affordability Studies Can Help States Decide How Much to Borrow," identifies which states are leading the way on this issue, and provides criteria for officials to strengthen an existing study or conduct one for the first time.

The report will be released on [Pew's website](#) on June 6 at 4 p.m. EDT. Please contact me if you are interested in receiving an embargoed copy of the report.

Sincerely,

Rachel

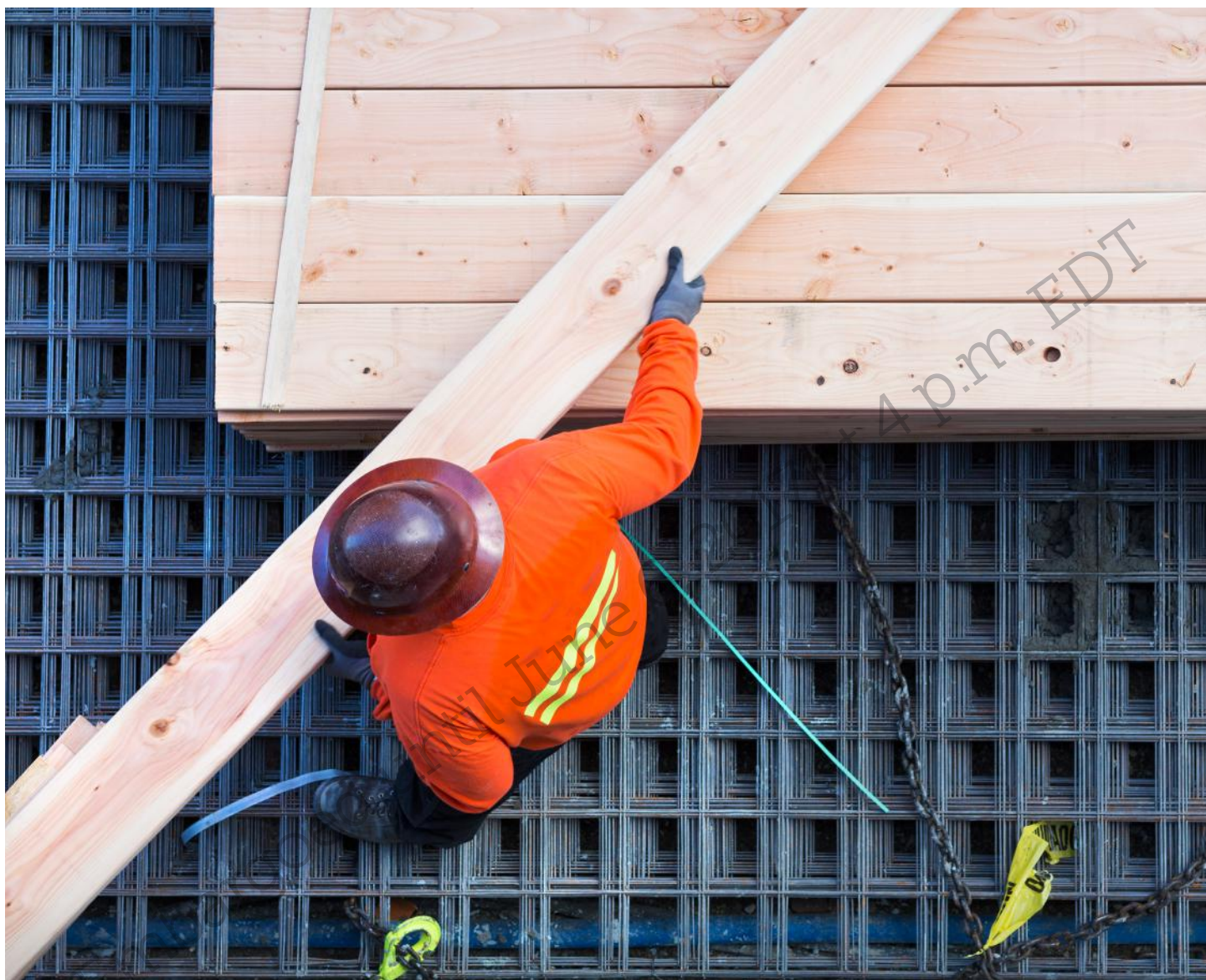
Rachel Gilbert

Senior Associate, Communications

The Pew Charitable Trusts

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Strategies for Managing State Debt

Affordability studies can help states decide how much to borrow

Embargoed until June 6, 2017 at 4 p.m. EDT

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This report benefited tremendously from the insights and expertise of two external reviewers: W. Bartley Hildreth, professor, Andrew Young School of Policy Studies, Georgia State University, and Martin J. Luby, assistant professor, Lyndon B. Johnson School of Public Affairs, University of Texas. Although they have reviewed the report, neither they nor their organizations necessarily endorse its findings or conclusions.

Acknowledgments

The following people provided invaluable assistance: Justine Calcagno, Matthew Cook, Kate Davidoff, Kimberly Furdell, Susanna Groves, John Hamman, Steve Harrington, Adrienne Lu, Daniel Newman, and Matthew Separa assisted with collecting data, and Hassan Burke, Tim Cordova, Sandra Nwogu, Peter Wu, and Rica Santos helped to verify data. We also thank Bernard Ohanian, Jeremy Ratner, Anne Usher, and Gaye Williams for providing valuable feedback and production assistance on this report. Finally, we thank the many state officials and other experts in the field who were so generous with their time, knowledge, and expertise.

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Project website: pewtrusts.org/en/projects/states-fiscal-health

The Pew Charitable Trusts is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public, and invigorate civic life.

Embargoed until June 6, 2017 at 4 p.m. EDT

Overview

When a state government faces a large expense, such as adding lanes to a highway or restoring an aging bridge, officials often borrow the money, allowing these projects to move forward while spreading the costs out over time and to generations of taxpayers.

Gauging whether a state can afford to take on new debt, though—and how much—can be difficult. When lawmakers face decisions over whether to issue bonds or how to manage existing debt, they need the right data to inform their choices. In 27 states, officials produce debt affordability studies that evaluate the impact of potential issuances on the state's self-imposed debt caps. These data-driven analyses give states the power to manage debt in a way that aligns with their resources and spending priorities.

As state budgets recover from the effects of the Great Recession of 2007-09, lawmakers are looking for ways to prepare for the next downturn. At the same time, states are increasingly interested in taking advantage of low interest rates to borrow money for key infrastructure projects that may have been put on hold during the recession.

To help lawmakers and state finance officials better understand and manage their state's debt obligations, The Pew Charitable Trusts conducted a 50-state research study. Pew evaluated state financial documents published from January 2010 to October 2015, reviewed pertinent literature and websites, and interviewed officials, academic experts, and credit rating analysts. The result was the development of a set of criteria to define the characteristics of, and assess the quality of, a debt affordability study.¹

These key findings emerged from the research:

- Twenty-seven states conduct debt affordability studies.² Of these, nine—Florida, Georgia, Maryland, Massachusetts, New Hampshire, North Carolina, Oregon, Texas, and Virginia—lead the way by producing studies that give policymakers a clear understanding of their states' debt levels through, among other things, careful projections, smart benchmarking comparisons, multiple descriptive metrics, and analysis.
- Eighteen other states publish debt affordability studies that could be improved by adding elements such as a legal mandate to produce the study and an expanded scope of analysis. These states are Alaska, California, Connecticut, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington, and West Virginia.
- Highly leveraged states are not alone in publishing debt affordability studies. North Carolina, Georgia, Nevada, and New Hampshire are among the states with the 10 lowest measures of debt per capita, according to Pew's analysis of comprehensive annual financial report (CAFR) data, but all produce a study.
- The states that produce debt affordability studies also vary in how they structure their debt. Some have highly centralized debt structures, while others delegate a higher share of total borrowing to independent agencies and authorities. Twenty-three states, including high-debt states such as Illinois, Michigan, and New Jersey, do not produce a debt affordability study. The amount of total debt held by states in this group differs greatly.

The findings show that the quality and depth of debt affordability studies vary. Unlike a CAFR, which documents the financial condition of a state using standardized accounting data, debt affordability studies do not conform to any generally accepted templates and their content varies from one state to another.³ Indeed, they are meant to have the flexibility necessary to help policymakers understand their state's debt in the context of the state's particular legal structure, fiscal culture, and needs.

Hawaii

In June 2015, Hawaii lawmakers passed legislation directing the Department of Budget and Finance to publish an annual debt affordability study. The department released the first one in December 2016, after the deadline for inclusion in this report's analysis. But an initial review of the study shows that it aligns with many of Pew's recommendations: It has a statutory requirement for publication and uses multiple metrics and extended projections. Like all affordability studies, it also has room for improvement. The benchmarking comparison group, for example, could be more narrowly tailored.

Based on an analysis of the data, Pew developed criteria for a high-quality debt affordability study, which could be used either by officials looking to strengthen an existing study or by officials conducting one for the first time:

- Create a requirement—either by statute or other mechanism—mandating that the state produce a debt affordability study, making clear its purpose and use, who will prepare it, the timetable for ensuring regular publication, and requiring the study to include a statement of how much more the state could afford to borrow. The study's release should coincide with the state capital planning and budgeting process. Doing so helps ensure that it is used in policy analysis, not merely financial analysis.
- Use metrics to put into context what the state has borrowed and its capacity to issue additional debt. These metrics should compare the state's debt load to that of peer states.
- Project the outstanding debt and the cost to service it, and include estimated bond issuances and the state's debt capacity over multiple years. These projections allow debt affordability studies to be forward-looking, something other state financial reports with information on debt are not.
- Include written analysis to explain the data—putting them into context and detailing their implications—and offer clear recommendations for future borrowing and debt management. This analysis equips policymakers with information on the trade-offs between funding infrastructure and capital projects and using the funds on other needs.
- Consider the breadth of publicly supported debt and which obligations to model against state resources. Develop a process for measuring debt issued by component units (entities that are legally separate but perform state functions), independent authorities, state agencies, and local governments. States should consider how much debt these entities issue and how closely the state backs the obligations and distinguish between those modeled in debt capacity calculations and those simply reported.
- Include a discussion of other long-term liabilities, such as public pensions and retiree health care. Although these obligations differ from long-term, bonded debt, they represent competing claims on state funds and should be considered along with debt.
- Ensure that the study originate from an office or body with a commitment to objective analysis and close to the decision-making process to ensure that it is used by policymakers. Among states that produce debt affordability studies, the agency or department that creates them includes state treasurers, executive branch budget staff, comptrollers and controllers, and independent committees and commissions, some of which include elected officials.

Why states borrow

Used carefully and methodically, debt can be a powerful instrument. State and local governments rely on borrowed funds to build or repair vital infrastructure that improves quality of life and drives economic growth. But like individuals buying a home or car, states may not have enough cash on hand to pay for large expenses, so they borrow to spread those costs over time.

Long-term debt—bonds maturing in 10 or more years—is used to fund capital projects such as roads, bridges, ports, housing, sewers, parks, prisons, and other public buildings, including those at colleges and universities.

Borrowing makes it possible for states to finance multiple, pressing infrastructure needs simultaneously instead of one at a time. In June 2016, for instance, Georgia sold \$1.4 billion in general obligation bonds to pay for bridge repairs, new university buildings, local school construction, and new school buses and public safety vehicles. The funds also went to several smaller projects, such as building a seawall on an island north of Savannah and upgrading the voting system in the House of Representatives' chambers.⁴ Money spent on these infrastructure projects can stimulate the economy, help to create jobs, add to the state's physical assets, and offer investors a dependable, tax-free income.⁵ And by using debt to pay for long-lasting capital assets, states can spread the cost of construction to match the useful life of the asset, benefiting taxpayers by distributing costs over multiple years.

States have varying arrangements for sharing the borrowing responsibility for such projects with local governments. For example, while some states issue debt for K-12 school construction and wastewater management, in others, cities and counties take on this debt. In some places, total local government borrowing even exceeds bond issuances by the state.⁶

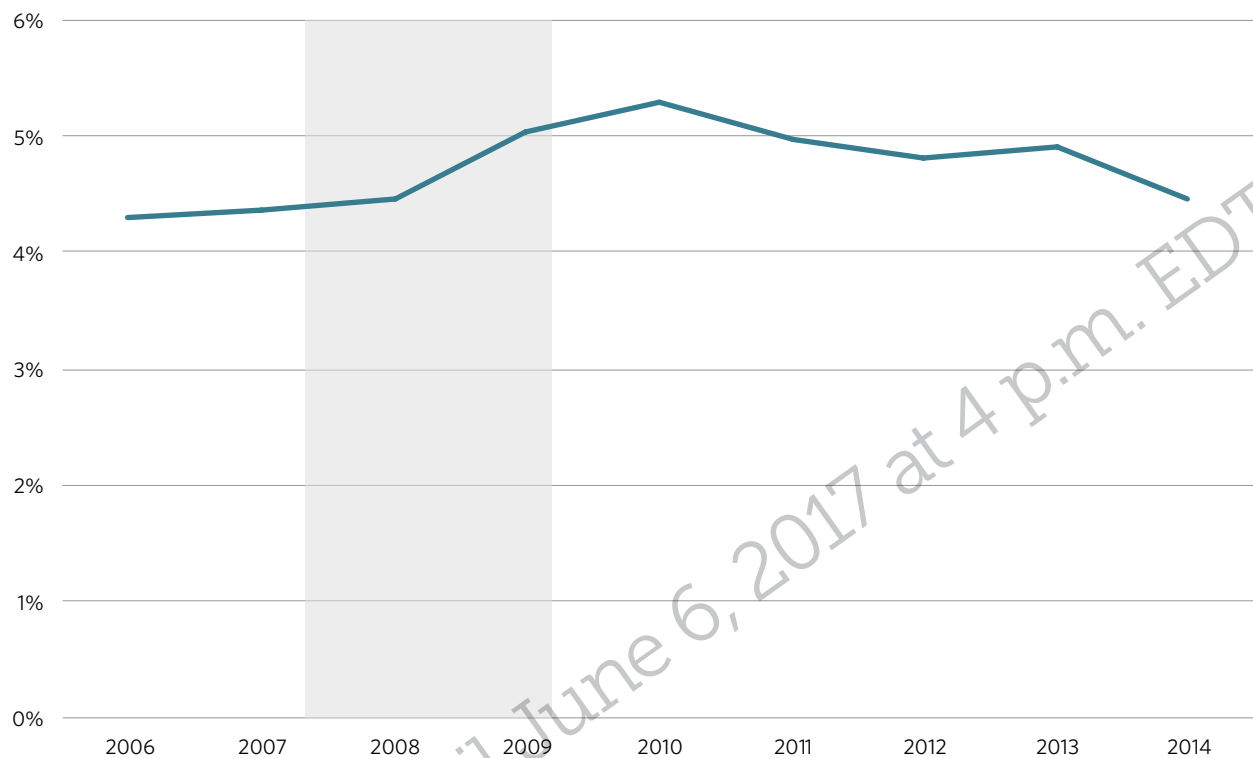
Though government finance experts discourage it, some states borrow to plug operating budget gaps. Some also sell bonds to pay their public sector pension bills, which meets an obligation in the short term but adds to the state's long-term liabilities.⁷ The downside to these approaches is that every dollar spent on debt service cannot go to other spending needs, and the use of one-time funds to address ongoing expenditures could lead to structural budget problems.

However, state borrowing—particularly general obligation bonds—is generally constrained by legal limits or requirements. Further, states appear to have grown increasingly cautious about taking on debt. As shown in Figure 1, total state tax-supported debt as a share of state personal income has remained relatively flat over nearly a decade—even through a period of historically low borrowing costs. Although borrowing rose through 2010, bolstered by interest rate subsidies included in the American Recovery and Reinvestment Act of 2009, gross tax-supported debt, which includes obligations repaid with both general funds and dedicated revenue streams, had returned to 2008 levels by 2014.⁸ This slowdown in borrowing, as seen in Figure 2, is in spite of continued low interest rates.

Figure 1

Outstanding Debt Represents a Small Portion of State Resources

Gross tax-supported debt outstanding as a share of total state personal income



Notes: Gross tax-supported debt includes obligations of the 50 states repaid with both state general funds and dedicated revenue streams.

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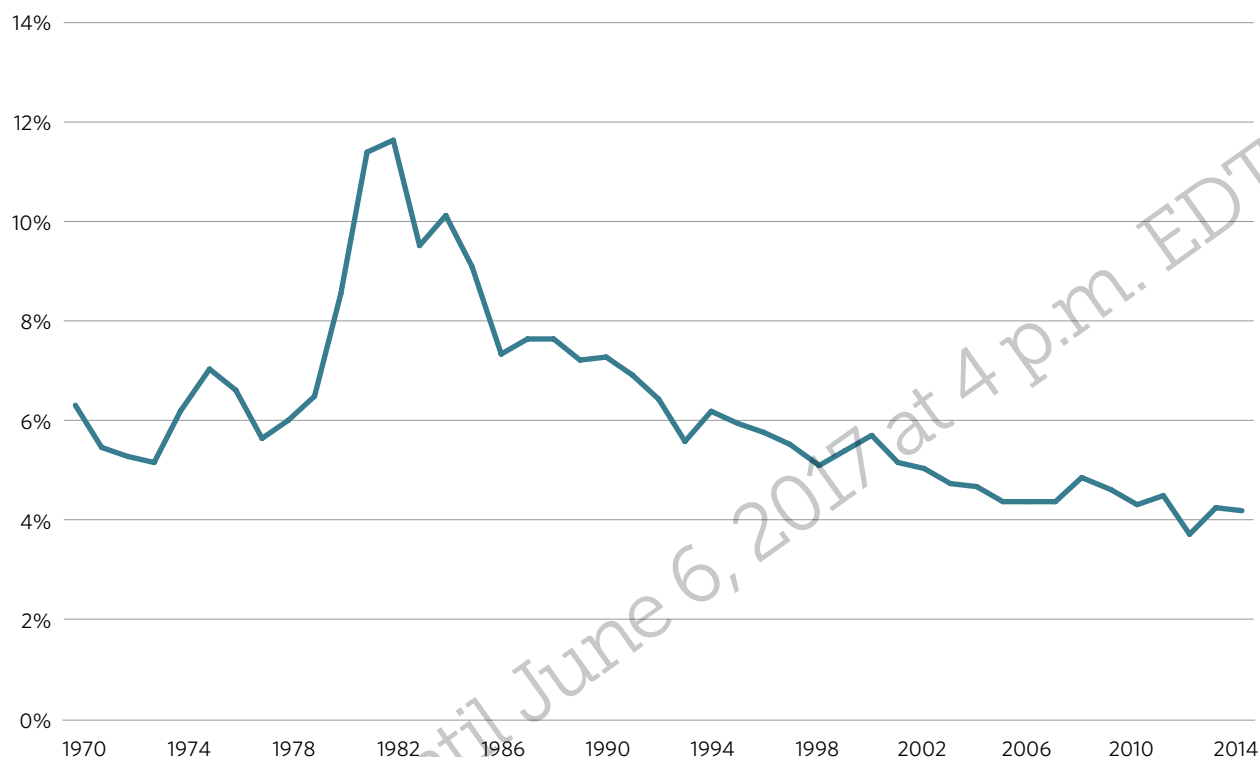
Sources: State personal income data are from the U.S. Bureau of Economic Analysis' Regional Economic Accounts, State Personal Income series, accessed Jan. 2, 2017. Gross tax-supported debt data are provided under a license to The Pew Charitable Trusts from Moody's Investor Services.

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Figure 2

Borrowing Has Stayed Steady or Declined Despite Historically Low Interest Rates

Bond Buyer 20 Index (a composite of general obligation bonds) interest rates



Note: Thirty-year Treasury bonds were not offered between February 2002 and February 2006.

Source: Bond Buyer, Bond Buyer Indexes, accessed Jan. 11, 2017

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Despite constraints on borrowing, many states have trouble tracking all publicly supported debt. Several state officials told Pew that only a handful of policymakers may know the full extent of the state's debt. Challenges collecting and aggregating data, along with multiple layers of government, can pose obstacles. So can the temporary aspect of elected office, especially given the complicated nature of debt financing. This situation creates a need for simple tools, such as debt affordability studies, which can enable policymakers to keep debt at levels that do not constrict funding to other crucial areas.

The Louisiana Bond Commission, made up of 14 members, all but one of whom is elected, illustrates the obstacles inherent in debt policy. "It has got to be tough" for the commission members, said Patrick Goldsmith, director of the Louisiana House Fiscal Division. He noted that debt issuance and management is a highly technical process and that serving on the commission is but one of its members' duties.⁹

This challenge appears across the country. "Debt is just one of the many, many topics that [legislators] need to become familiar with," said Laura Lockwood-McCall, director of the debt management division in the Oregon treasurer's office.¹⁰

Why debt affordability matters

The American Society of Civil Engineers estimates that roads, bridges, tunnels, and other capital assets in the United States need \$4.6 trillion worth of work by 2025, of which just \$2.5 trillion is currently funded.¹¹ Federal agencies agree on the need for large-scale infrastructure spending.¹² But with sluggish revenue growth and pressure to increase pension contributions, states have been reluctant to invest in new projects. As the need to invest in maintaining and improving public infrastructure mounts, the financial burden will likely fall to state and local governments; historically, they contribute about 75 percent of infrastructure-related spending.¹³ In addition to the cost of the construction or repair work itself, such projects often require outlays to cover operating costs and debt service payments. While being cautious about borrowing can help states balance their budgets, new infrastructure can also spur economic growth. And, conversely, constrained investment can slow expansion.¹⁴

With these competing pressures to save or spend, grasping the nuances of debt management is becoming ever more important. Even when states analyze debt affordability as part of the capital planning process, officials sometimes find themselves lacking adequate tools for making decisions on whether to issue debt.

A debt affordability study can provide data-driven insights. Together with policies that guide a state's use of debt, it provides "an essential and forward-looking analysis," as New Hampshire treasurer William Dwyer puts it, "that helps policymakers measure, monitor, and analyze debt."¹⁵ The studies' future projections set them apart from documents such as CAFRs, which look only at a state's current debt levels. Debt affordability studies help states determine, among other things, if there is available capacity for borrowing, understand debt levels relative to peer states, and how much a debt issuance may constrain other spending, and tie debt to capital planning and budgeting processes. The more a state can connect debt projections to capital planning forecasts and needs assessment, the more valuable a debt affordability study becomes.

State officials told Pew that doing a debt affordability study gives them information that is helpful in striking the right balance between issuing bonds and paying for projects with cash, known as pay-go (pay-as-you-go) financing. Affordability analysis also helps states understand the total amount of funding available for capital spending, which aids policymakers in determining which projects to fund first. Myron Frans, commissioner of Minnesota's management and budget agency, said its study "forces policymakers to really examine and gauge how much debt we have relative to our financial situation."¹⁶

These financial situations, of course, differ from state to state. Affordability is subjective. Each state has its own definition of how much debt it can take on, and its own unique infrastructure needs. While nearly every state has general obligation debt limits in its constitution, many states also have supplementary debt caps that are more nuanced, typically based on a metric such as debt service as a share of revenues, because they may include other debt types. Debt affordability studies can help states navigate these caps, in addition to any statutory debt limits. (See Appendix A for more information on state debt limits.)

These studies are also helping states determine how much they can spend on infrastructure and other needs. They can address funding gaps, and keep states within established guidelines, through analysis of both resources and needs. This approach has worked for states both open to and reserved about debt by giving policymakers evidence that there is or is not available borrowing capacity. By taking into account states' unique definitions of affordability and varying levels of need, debt affordability studies become customized tools that all states can use.

Like other states, Massachusetts has struggled with a decline in federal transportation dollars. This has placed "a tremendous burden" on it, said state Representative Antonio Cabral (D), who heads the House Committee

on Bonding, Capital Expenditures, and State Assets. The shrinking federal outlay has increased pressure on the state to borrow money to maintain its bridges and other infrastructure, and to invest in new projects to expand its economy. Massachusetts has one of the nation's highest debt levels, driven by borrowing for schools and other projects. To maintain a balance between its infrastructure needs and responsible bonding, the state created a debt affordability committee in 2012. It conducts an annual study that determines the amount Massachusetts can borrow while staying within a limit of 8 percent of operating budget revenue. The committee's analysis is a key factor in setting the state's borrowing policies. "It keeps people focused," said Rep. Cabral. "Both the administration and the legislature are focused on ... the issuance of bonds to stay within the capital plan. The study creates a perimeter that everyone works within. Everyone takes it seriously."¹⁷

Florida instituted an annual debt affordability study in 1999 as a way to have a comprehensive view of its borrowing. Ben Watkins, the state's bond finance director, recalled then-Governor Jeb Bush (R) pulling him aside after a meeting at which the governor's Cabinet hastily reviewed several debt issuances. "I'm on my way out the door and Governor Bush says, 'Whoa, whoa, whoa, wait a minute. Come back up here. We just took 45 seconds and approved \$750 million in debt. Where are we going with all of this?'"¹⁸ Bush's frustration over not knowing the extent of the state's debt helped spur lawmakers to develop the study, which Pew deems a leader in the field.

Debt affordability analysis also shows Wall Street that the state cares about creating financial blueprints. "We do get brownie points with the credit rating agencies," said Lockwood-McCall, the Oregon director of the debt management. "We get high marks from them for just having good planning." (See box below for a more detailed discussion of credit rating agencies and debt affordability.)¹⁹

How Credit Rating Agencies View Debt Affordability Studies

Preparing a debt affordability study is one of many financial practices that could benefit a state's credit rating if it is part of an overall practice of successfully managing debt, according to credit rating analysts.

In interviews with Pew, top analysts from Moody's, Standard & Poor's, and Fitch said that having a debt affordability study would not by itself result in a credit upgrade or positive outlook. But producing a comprehensive, forward-looking debt study that helps policymakers manage debt over several years could contribute to a boost in the state's rating.

"If a state does a debt affordability analysis that it makes publicly available, we view that as a positive," said Emily Raimes, a Moody's vice president in the public finance group. "Looking out into the future at their ability to issue debt and afford debt is a positive practice."²⁰

Debt management policies are one, though not necessarily the most important, of the financial management or governance practices that agencies evaluate before analysts assign credit ratings.

Continued on next page

Other, more significant, practices include revenue and spending assumptions about surpluses and deficits, multiyear operating and capital budget plans, investment policies, and levels of reserves that include policies guiding when to spend rainy day funds and how to replenish them.

When looking at these practices to establish a rating, agency analysts consider a state's ability to repay its debts, among other things. John Sugden, an S&P analyst, told Pew that debt management "plays an important role in our assessment" because it examines debt service as a percentage of the budget, personal income, and GDP, as well as debt per capita. "We're looking to see how the debt is managed," he said. "And, in most cases, if you have a debt affordability model or a debt management policy, those will guide your decisions and help you manage your debt levels and keep them at affordable levels."²¹

Each time a state issues bonds, agency analysts assign a letter grade, ranging from AAA, the highest, to C. Ratings vary at any given time, but about a dozen states hold the coveted AAA mark. Illinois is the lowest, at Baa1.²² To warn investors of potential upgrades or downgrades, the agencies occasionally release "outlooks" and "watches." Highly rated states historically have been rewarded with lower borrowing costs.

"We can use the savings elsewhere in the budget, so there is a direct benefit" to being a AAA state, said Diana Pope, director of the financing and investment division of the Georgia State Financing and Investment Commission, which prepares a debt affordability study.²³ In June 2016, Georgia earned a triple-A rating from the three agencies for a \$1.37 billion bond sale, resulting in relatively low interest rates, between 0.92 and 2.63 percent, for the series. The agencies cited the state's conservative debt management practices among the reasons for the top rating on the bonds, which will finance dozens of capital projects.²⁴

A month after Georgia's sale, another triple-A-rated state, North Carolina, sold the first \$200 million of a planned \$2 billion issue to pay for college buildings, parks, water and sewer improvements, and the National Guard. Fitch singled out the state's "low liabilities and strong debt management practices, including an affordability planning process."²⁵

By contrast, Connecticut, whose study is not as comprehensive as Georgia's and North Carolina's, was downgraded by two agencies simultaneously in 2016 because of its indebtedness and declining revenue.²⁶ As a result, state taxpayers there are penalized due to the correspondingly higher interest rates on borrowing.

Although agency analysts said they do not require a debt affordability study to give a state a high rating, "more is better when it comes to information," said Karen Krop, senior director of public finance at Fitch. "It's great for us as analysts to have a centralized place to find information, a good description of outstanding debt, pledged revenue, alternate funding techniques, projections, and benchmarks."²⁷

What goes into a debt affordability study

Pew's examination of state agencies managing debt found that debt affordability studies are the only state publications that consistently analyze whether states will be able to borrow money without difficulty. To determine how many states produce debt studies, Pew reviewed existing research on debt affordability and interviewed officials in every state and other government finance experts. This led Pew to conclude that the studies should include data and analysis that help governors and legislatures evaluate the impact of current and future debt issuance on state finances and inform their decisions about proposed bond sales and in setting capital spending priorities.

Twenty-seven states met the standards: Alaska, California, Connecticut, Florida, Georgia, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Mississippi, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Vermont, Virginia, Washington, and West Virginia.²⁸

Figure 3

Elements of a Debt Affordability Study

States can evaluate debt levels by routinely analyzing key data



Presents metrics

Uses metrics, such as debt service as a share of revenues, to contextualize debt relative to the state's ability to pay



Projects obligations

Forecasts debt obligations and/or capacity to repay beyond the current fiscal year



Analyzes affordable debt

Includes written analysis to explain the data—putting them into context, and detailing their implications



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At a minimum, debt affordability studies include four basic elements: metrics, projections of obligations, analysis, and regular publication (see Figure 3). Metrics discussions typically include tables showing how much the state is paying to service its debt; how its obligations compare against state revenue or expenses; and measures such as debt as a percentage of state personal income or debt per capita. These data help show the debt in relation to the state's ability to repay it. Projections should clearly show how much a state will owe in future years based on its current obligations and the likelihood of future issuances, and whether it will have the capacity to meet long-term obligations.

A debt affordability study should also include analysis of these numbers and projections and give guidance on related policy decisions—for instance, whether it is advisable to take on more debt and, if so, how much it can

safely or legally take on. For example, in words and tables, Maryland's debt affordability study lists the state's outstanding tax-supported debt and debt service requirements and advises policymakers on whether they can sell additional general obligation and academic facilities bonds in the coming year without exceeding statutory limits. Such an analysis can also show lawmakers how debt can influence spending on other priorities. It becomes yet more useful if it forecasts how much debt the state can readily take on against how much is necessary to address capital needs.

It is essential that these studies be released on a regular basis because they must contain current data in order to inform the policy process. Updating these studies is also important because they contain projections based on assumptions, such as revenue forecasts, which change from year to year. Updated studies better reflect any changes in a state's fiscal condition. Annual publication is most common, but Nevada, North Dakota, and Kentucky, with biennial budgets, publish every two years. New York and Minnesota's studies come out biannually.

In addition to these elements, the following characteristics strengthen a debt study and add analytical depth:

- A formal requirement to conduct it, either in state law or through agency rules or other means, which includes a list of its contents and a clearly articulated purpose.
- A comparison of debt levels in peer states through a benchmarking analysis.
- A reflection of a state's debt issuance structure and broadening the scope of debt to include all borrowings for which the state may be liable, such as independent authorities, public colleges and universities, and school districts.
- The use of multiple metrics, benchmarks, and projections.

Debt affordability studies may seem similar to CAFRs, the financial reports issued by states or other government entities, or bond disclosure documents, otherwise known as "official statements." The difference lies in both the depth of analysis and the forward-looking nature of debt affordability studies. Whereas the statistical sections of CAFRs report a few metrics, such as debt as a percentage of personal income, debt affordability studies include those metrics with a discussion of the figure's significance. And while CAFRs present current and historical debt levels, a debt affordability study's projections help policymakers understand their state's debt in future years. While disclosure documents may require a debt schedule of a state's outstanding bonds, a debt affordability study calculates how debt service on those bonds affects the state's debt capacity. These studies also help explain debt levels in context so that policymakers can make wise decisions.

How States Borrow

“State debt” can be a difficult concept to define. It includes not only state government bonds, but those issued by agencies, authorities, and special districts. The bonds themselves can vary by type.

Issuers

States, the **primary government**, can retain most of the power to borrow or share this responsibility with other entities. For example, a state may choose to rely heavily on **component unit debt**, or bonds issued by an organization, such as an economic development agency, that may be legally separate from a state’s primary government. States may also expect local governments and other substate entities such as school districts to borrow for capital projects within their jurisdictions.

Lenders to such entities sometimes expect the state to step in if the issuer is unable to repay their debt. If the state offers a **guarantee** on this type of borrowing, it is legally required to pay it off if the original issuer cannot pay. Sometimes, however, there is only a **moral obligation**. In such cases, the state is not legally required to pay off the debt but may do so to protect the fiscal health of the issuing entity and its own credit rating. Sometimes this obligation is written into a bond covenant. Often, the support is more tacit. Both legal guarantees and moral obligations help issuers secure lower interest rates than they otherwise might get. In cases where a state intervenes to meet its moral obligations, lawmakers generally approve a special appropriation to repay the liability.

Financial instruments

Once a state has decided to borrow, there are a variety of financial instruments it can use to do so. Many states concentrate on **net tax-supported debt (NTSD)**, or bonds that the state pledges to repay from tax revenue in the general fund. Although NTSD is a widely used term, there is not universal agreement on what liabilities it covers. Pew took a broad view of debt, examining several liabilities not typically included in NTSD.

General obligation bonds are generally the highest-rated and lowest-cost debt because a state pledges its full faith and credit to pay the interest and principal. These bonds are typically used to finance projects such as building or fixing bridges, roads, public buildings, and utility lines. Twenty-eight states require voter approval for general obligation bonds; Arizona, Indiana and West Virginia prohibit their use. **Debt service** is the yearly principal and interest amounts needed to repay debt. Other net tax-supported debt includes **appropriation bonds**, backed by money set aside by the legislature for a specific purpose. Such borrowing technically entails a moral obligation, though payment is made regularly from state funds.

Continued on next page

Revenue bonds differ from general obligation bonds in that the debt service does not come out of general fund tax revenue or require voter approval. They are paid back with funds from a specific revenue stream, often money generated by the project they are financing, such as toll roads or sports stadium ticket sales. Primary governments and certain state agencies and independent authorities may be allowed to sell such bonds, depending on the state. They are not usually included in NTSD, because they are not tax-supported, but do fall under broader categorizations of debt.

Bond anticipation notes allow a government to begin work immediately on a capital project while waiting for the proceeds of a future bond issue. **Revenue and tax anticipation notes** also pay for current projects before revenue is received from a project financed either by the note or from future tax receipts. **Grant Anticipation Revenue Vehicle** (GARVEE) bonds, used to finance highway projects, are another revenue anticipation vehicle. States pledge to repay GARVEE bonds with money they will receive from the federal Highway Trust Fund.

Some state lawmakers favor **certificates of participation** because voters do not have to approve them and they can be issued quickly. Investors who purchase these certificates receive a share of the revenue, usually from lease payments from a specific project.²⁹

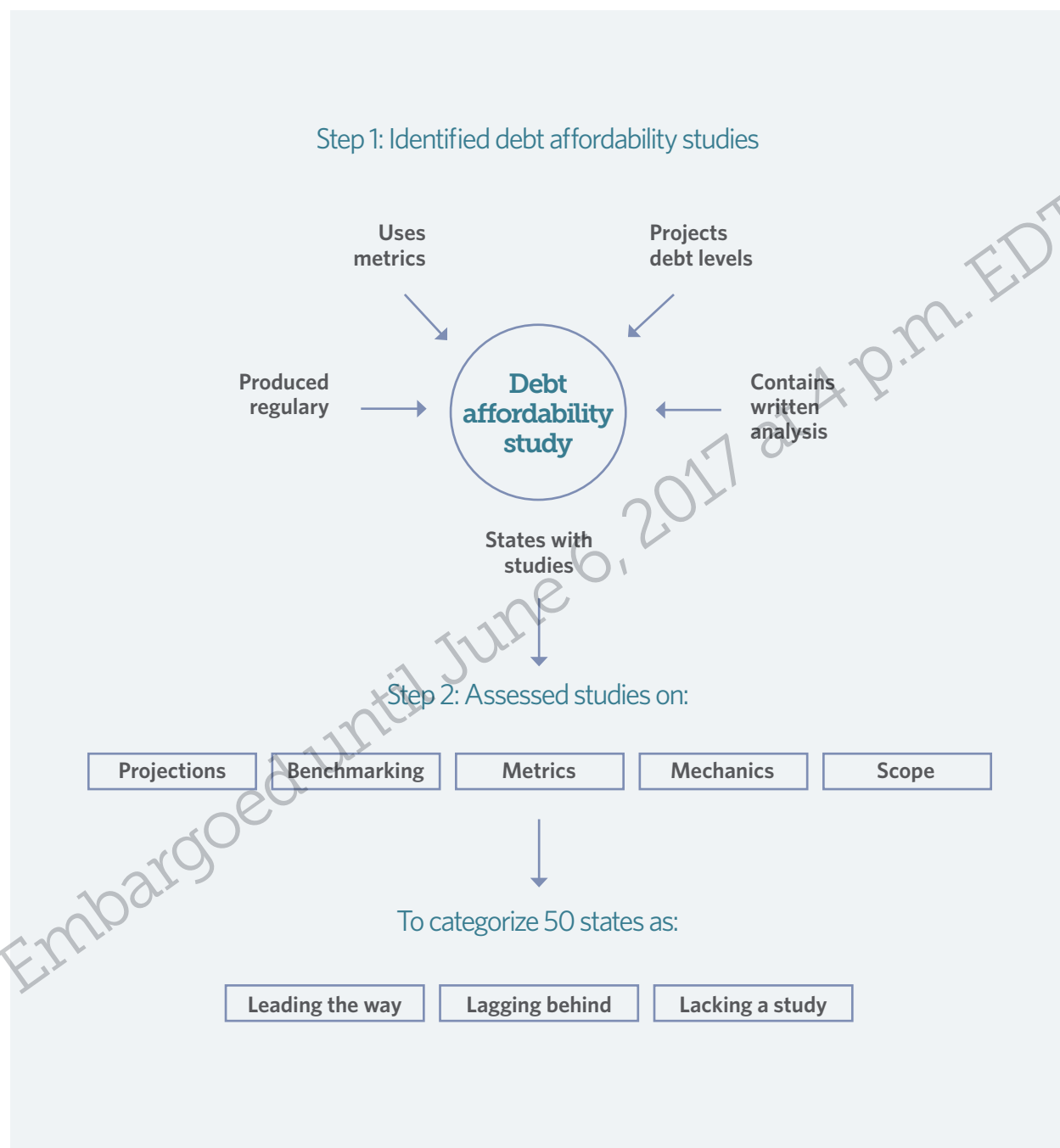
Some states obtain assets such as buildings or land by paying cash or financing the purchase in installments over time. **Capital lease obligations** reflect the principal and interest paid over the course of the lease.³⁰

Findings from Pew's 50-state research

All states take some steps to document their debt, even if they do not produce a debt affordability study. State CAFRs, for example, are required to have statistical sections covering state debt. Some states have debt management policies calling for certain state employees or departments to monitor debt or for keeping a benchmark debt ratio below a specified figure. Others issue ad hoc documents containing some combination of debt metrics and projections.

To assess how states report on their debt, Pew first determined which states produce debt affordability studies. (See Appendix B for a listing of state documents considered.) For those that do, it then assessed the studies based on five criteria: projections, benchmarking, metrics, connection to the policymaking process (or mechanics), and scope. (Figure 4 details Pew's evaluation process.)

Figure 4
Assessing States' Use of Debt Affordability Studies



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Pew assessed states as leading the way if their debt affordability studies led in four or more of these categories. Table 1 explains these categories and provides examples of stellar state practices for each. (See the methodology section for more detail and Appendix C for state-by-state assessments.)

Table 1

What Goes Into a Strong Debt Affordability Study and Which States Are Leading the Way?

Effective studies



Include projections

Project debt levels at least three years into the future, considering various issuance and revenue scenarios and looking at multiple measures of future debt levels such as debt to capacity and debt service.



Benchmark against peer states

Make comparisons to peer states, considering the appropriateness of the comparison group and using multiple metrics to get a full picture of where their state stands.



Use metrics

Use multiple metrics, such as debt service as a share of revenues, to contextualize debt relative to the state's ability to pay. States can also contextualize these metrics with written analysis.



Connect to the policymaking process

Require the production of a debt affordability study on a regular basis and ensure that the report contains a clear statement of remaining debt capacity.



Are broad in scope

Consider the majority of debt outstanding from both the primary government and major component units, and discuss the impact of pensions and other long-term obligations on debt affordability.

A leading example

Oregon estimates additional debt capacity under three different interest rates and both a 10 percent increase and decrease in general fund revenue. It also projects nine years into the future levels of debt to capacity, debt issuance, and debt service.*

New Mexico compares its debt per capita and debt as a percentage of state personal income to similarly ranked states, tracking the latter to the nine years prior to the study's publication. It explains the significance of these comparisons, writing that its ratio of debt to personal income is "toward the higher end of the range among its peers."†

Vermont's study examines debt per capita, debt as a percentage of personal income, debt service as a share of revenues, and debt as a percentage of gross domestic product. It notes that the state's debt capacity has been constrained in recent years by the debt per capita ratio, which has been nearing limitations set by policy.‡

Alaska's study states that the state can issue up to \$1.5 billion in debt over the next decade and still meet its 5 percent debt service ratio. State statute directs the Department of Revenue to prepare an annual report that includes an inventory of state bonded debt, an estimate of how much of this debt will be acquired within the next three years, and an evaluation of debt affordability.§

Kentucky's study captures 68 percent of the primary government and major component unit debt reported in its state CAFR, touching on revenue and authority debt. It also includes a section on unfunded pension and retiree health care liabilities, noting the potential negative impact that funding these liabilities might have on the state's credit rating.||

* Oregon State Debt Policy Advisory Commission, "2015 Commission Report" (January 2015), <https://www.oregon.gov/treasury/Divisions/DebtManagement/Documents/SDPAC/2015%20SDPAC%20Report.pdf>.

† New Mexico Department of Finance and Administration, Board of Finance, "Debt Affordability Study" (December 2014), http://www.nmdfa.state.nm.us/uploads/FileLinks/3f1739ce82c44d4eaf5d5279513389b3/2014_Debt_Affordability_Study_Final_1.pdf.

‡ Vermont Capital Debt Affordability Advisory Committee, "Recommended Annual Net Tax-Supported Debt Authorization" (December 2014), <http://legislature.vermont.gov/assets/Legislative-Reports/2014-Final-CDAAC-Report-with-Transmittal-Memo.pdf>.

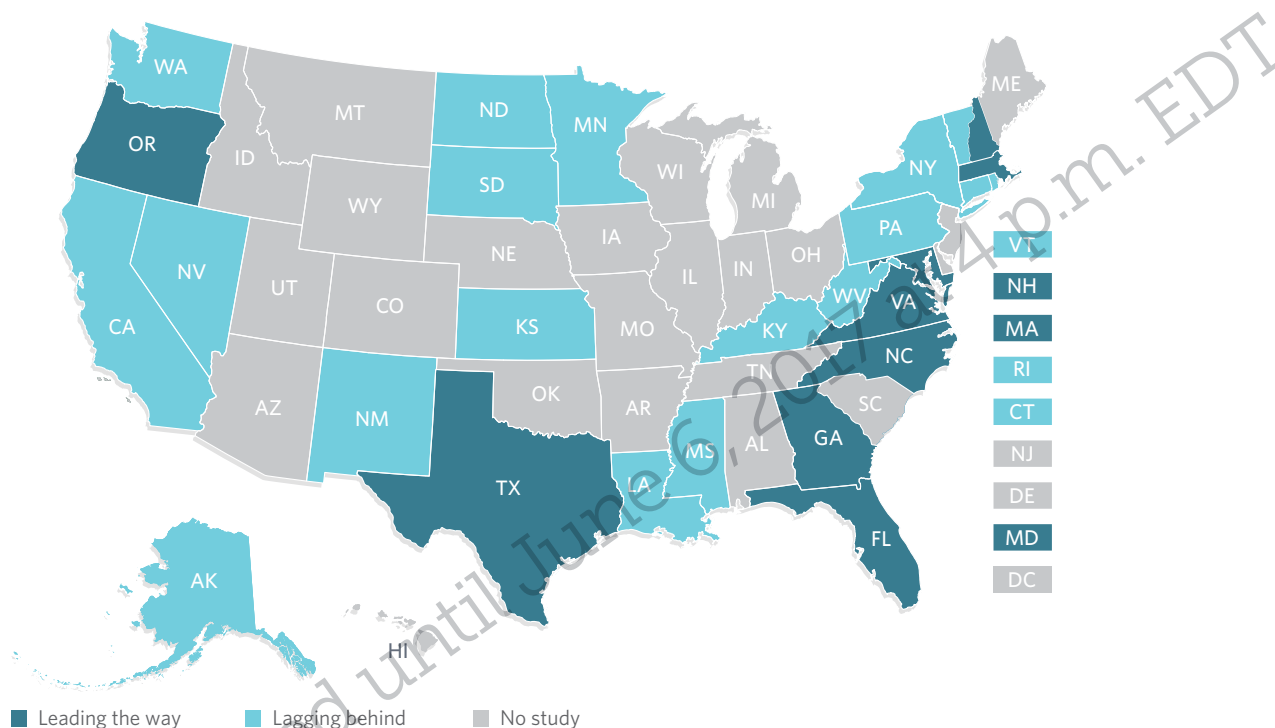
§ Alaska State Bond Committee, "January 2015 State of Alaska State Bond Committee Debt Management Policies and State Debt Capacity" (January 2015), [http://treasury.dor.alaska.gov/Portals/0/docs/AK%202015%20Debt%20Management%20Policies%20%20Debt%20Capacity%20January%202015\(Final\).pdf?ver=2016-01-08-141150-080](http://treasury.dor.alaska.gov/Portals/0/docs/AK%202015%20Debt%20Management%20Policies%20%20Debt%20Capacity%20January%202015(Final).pdf?ver=2016-01-08-141150-080).

|| Capital Planning Advisory Board, Kentucky General Assembly, "2014-2020 Statewide Capital Improvements Plan" (November 2013), <http://www.lrc.ky.gov/Statcomm/CPAB/014-20syp/2014-2020completeplan.pdf>.

After applying these criteria, Florida, Georgia, Maryland, Massachusetts, New Hampshire, North Carolina, Oregon, Texas, and Virginia emerged as leaders in producing robust debt affordability studies. Eighteen states fell in the middle and 23 states did not produce one but could benefit from adopting the practice. Figure 5 provides a visual guide to Pew's categorization.

Figure 5

Nearly Half the States Did Not Produce a Debt Affordability Study During Pew's Period of Analysis



Note: Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis. For more information, see the text box on Page 2.

Source: Pew analysis of state documents and interviews with state officials

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Leading the way

The nine states with the strongest debt affordability studies—**Florida, Georgia, Maryland, Massachusetts, New Hampshire, North Carolina, Oregon, Texas, and Virginia**—are diverse in geography, political leanings, degree of centralization of debt issuance, and amount of debt. Despite these differences, each state has found a debt affordability study to be a valuable financial safeguard.

The leading states differ greatly in how centralized they are in issuing debt. Virginia is the most decentralized, with 71 percent of its debt held by major component units (entities that are legally independent but perform state functions such as building infrastructure), while Oregon and Texas have no debt carried by these entities. The remaining states range from 3 percent of debt held by component units to 35 percent.

Leading states differ not only in where their debt is issued, but also in how much total debt they hold: from \$2.1 billion in New Hampshire to \$44.4 billion in Texas. There is also a range in debt expressed on a per person basis: North Carolina's debt per capita is the lowest, \$1,333, while Massachusetts' is the highest, \$5,981.

The variety among the nine states shows that the desire to comprehensively analyze debt is not limited to states meeting certain conditions. Rather, a debt affordability study is a tool that a group of very different states have deemed worthwhile.

In some areas, the nine states include data and analysis beyond the assessment criteria set by Pew. For example:

- Georgia uses five distinct metrics (debt per capita, debt to personal income, debt service as a share of total revenues, debt as a percentage of the valuation of assessed property, and debt as a percentage of state gross domestic product). This practice provides legislators with a multifaceted picture of claims on state funds.³¹
- North Carolina's report assesses debt based on its purpose. It looks at debt supported by general funds and borrowing backed by transportation revenue separately, and then combines the two. This allows policymakers to both focus in on liabilities of particular interest and take a broader view of the state's long-term obligations.³²
- Virginia complements its capacity analysis with a discussion of the types of projects its borrowing is funding.³³

Though they vary in content, reflecting different debt issuance practices, the leading states have one important attribute in common: They look at debt in a variety of ways to give policymakers a more complete picture of the state's borrowing capacity.

However, even among the nine leading states, there is room for improvement. For example, several could broaden the scope of their studies. The studies in New Hampshire, Texas, and Virginia include less than half of their state's long-term debt. Those in New Hampshire and Texas also lack a discussion of other long-term obligations, such as pensions. Taking a broader view of liabilities would give lawmakers a fuller understanding of the impact of borrowing.

Further, while debt affordability studies can be important financial tools for states, the information in them needs to be brought into the policymaking process to have an impact. Several state officials expressed frustration in interviews with Pew, saying policymakers often overlook the studies when they make borrowing decisions. While a robust debt affordability study is a critical first step, the analysis they supply must be translated into effective decision-making, comprehensive debt management policies, and clear reporting and controls on bond sales.

This process has taken hold in Maryland, where the study works its way from the Capital Debt Affordability Committee to the state's General Assembly and governor in a well-established procedure. The committee has garnered a reputation as an effective body and its recommendations are generally adhered to by the legislature and executive branch.

States with studies that are lagging behind

Eighteen states met Pew's criteria for producing a debt affordability study, but fell short of the criteria outlined in the previous section. These states' studies led in up to three categories but could be strengthened by adding a few elements. Table 2 captures some of these missing parts.

The states in this group are: **Alaska, California, Connecticut, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington, and West Virginia.**

Table 2

Study Elements Often Missing in Lagging States

Element of study	States missing this element
Project multiple scenarios: Studies should consider multiple scenarios to show how the debt forecast would change if underlying variables did. For example, how much capacity will be available if revenue is above or below forecasts? How much debt will the state have if interest rates experience an unforeseen increase or decrease?	Alaska, California, Connecticut, Kansas, Minnesota, Mississippi, Nevada, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington, West Virginia
Discuss appropriate benchmarking peers: Officials should account for state-specific factors when selecting a benchmarking group, and include demographics and capital needs. A stellar debt affordability study discusses which states are most appropriate for comparison.	Alaska, California, Connecticut, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Vermont, West Virginia
Be broad in scope: Debt affordability studies should include the majority of primary government and major component unit debt in their analysis.	Alaska, Kansas, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Vermont, West Virginia
Show a clear statement of remaining capacity: A succinct summary of how much debt a state can afford to issue can draw policymakers' attention and quickly provide them relevant information.	California, Connecticut, Kansas, Kentucky, Louisiana, Mississippi, New York, Pennsylvania, Rhode Island, Washington, West Virginia

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Washington's study is missing a few key elements. It makes comparisons to peers based on multiple metrics, comments on its selected benchmarking group, and has some analysis of the benchmarking results. It reports on seven metrics overall, including debt per capita, debt as a percentage of personal income, and debt service to revenues, adding commentary to these analyses as well. It captures over half of CAFR debt and discusses other long-term obligations. Washington could go further by modeling the results of different interest rates or above- or below-expected revenue projections and creating a legal mandate to produce the study.

States lacking a debt affordability study

Although all states employ some measures to track their debt, nearly half do not take the advanced step of producing a debt affordability study. This group is comprised of 23 states: Alabama, Arizona, Arkansas, Colorado, Delaware, Hawaii, Idaho, Illinois, Indiana, Iowa, Maine, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, Oklahoma, South Carolina, Tennessee, Utah, Wisconsin, and Wyoming. A number of these states produce documents that include some of the key criteria or analyze debt affordability on an ad hoc basis, but each falls short.³⁴

These states vary widely on many characteristics, including economics, demographics, political culture, geography, debt portfolio, and issuance tendencies. Some borrow heavily, while others borrow little.

"States benefit from having a 10-year, forward-looking, rigorous calculation and methodology that provides precise information regarding the estimated debt capacity of the state and measuring the financial impact of issuing additional debt," said Brad Young, press secretary with North Carolina's Office of the State Treasurer.³⁵ North Carolina is among the states with the 10 lowest measures of debt per capita.

A debt affordability study is not an invitation for expanded borrowing, though it can be used to identify available capacity as states consider their capital investment needs. In 2014, South Dakota had the fifth-lowest amount of state debt in the nation, according to annual financial reports that year. Despite the low debt load, it still produces a debt affordability study. "It's one of the things we do to improve our overall financial practices and how we do things in terms of issuing debt and handling our state budget," said state economist Jim Terwilliger.³⁶

Other low-debt states have chosen not to formally analyze their borrowing levels and practices in a debt affordability study but rather to track and analyze debt in other financial documents, which may be sufficient for their immediate needs. However, even these states may benefit from a more robust analysis over the long term. In recent years, traditionally low-debt states such as Utah, Colorado, and Idaho have seen rapid population growth, which has added pressure on infrastructure and sparked debate over the role of debt financing. A debt affordability analysis gives decision-makers critical data to inform these discussions and can serve as the basis for sound policy on state borrowing.

High-debt states, however, would particularly benefit from producing a study, according to officials Pew interviewed. "I think it's even more important when you're one of those higher-debt-ratio states to have a game plan,"³⁷ said Lockwood-McCall, Oregon's director of debt management.³⁸

New Jersey, Illinois, and Michigan are among the 10 highest debt states based on Pew's calculation of primary government and major component unit debt, but they fall short of a complete debt analysis. New Jersey and Illinois produce debt reports with aspects of a debt affordability study. But because those states borrow heavily, policymakers would benefit if they had a fuller accounting and analysis of their states' liabilities. "We're looking at whether states have a debt affordability model, how comprehensive it is, and whether it serves as an effective tool in helping them manage their debt," said John Sugden, senior director of Standard & Poor's U.S. public finance department.

Although they do not produce debt affordability studies, some states take notable steps to catalog their debt. In Tennessee, raising debt service above 6 percent of revenue would automatically trigger the publication of a debt affordability study. (It has not reached that threshold since the rule's implementation.) Wisconsin produces documents in conjunction with new borrowing that would qualify as debt affordability studies if they were regularly produced. They are done, however, only if long-term borrowing has been proposed. New Jersey's debt report is produced regularly and includes metrics, benchmarking, and projections, but it lacks analysis. Other states rely on a history of conservative debt issuance and management.

Recommendations

States that conduct debt affordability studies have found them to be useful tools for making budget decisions, particularly on infrastructure and other capital spending. By providing analysis on debt capacity, they can offer policymakers a profile of their state's debt to inform their choices about balancing revenue, spending, and borrowing. They also improve transparency with taxpayers and interest groups that want to see how the state is managing its finances. Given their clear benefits, Pew recommends that state policymakers include the following elements when designing a debt affordability study.

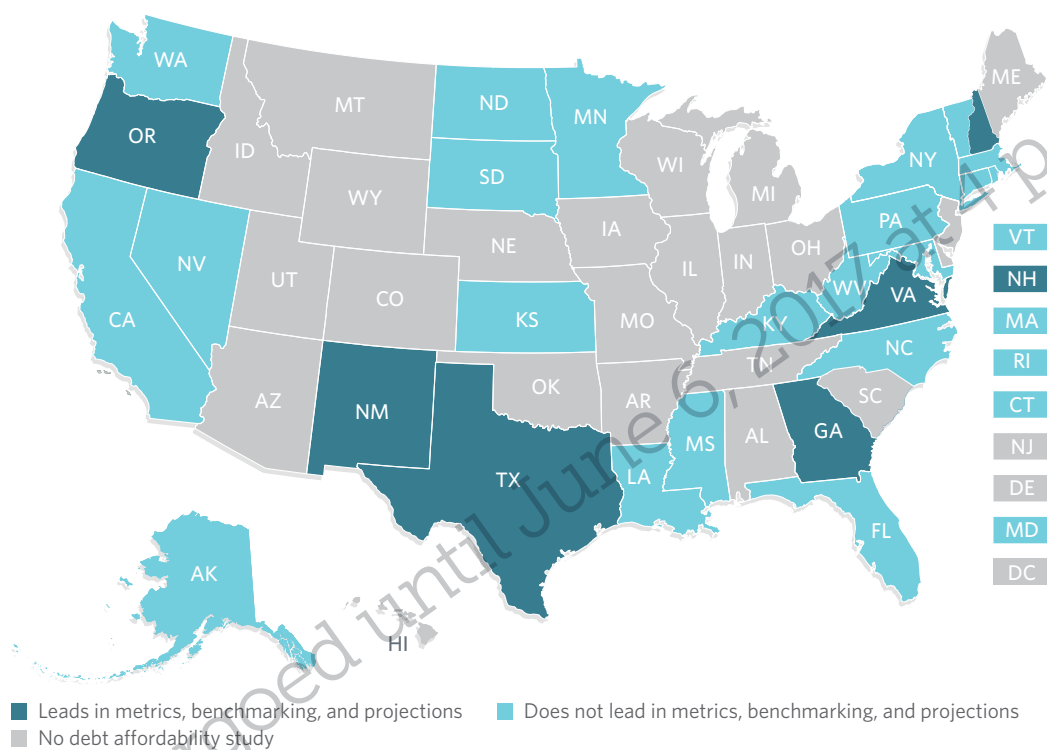
Metrics, benchmarking, and projections

Evaluate a state's debt affordability using metrics, benchmarks, and multiyear projections under several scenarios.

Nearly all of the 27 states with debt affordability studies base their analysis on metrics, benchmarks, and projections, yet only six lead in all three areas, as shown in Figure 6.

Figure 6

Few States Lead in Metrics, Benchmarking, and Projections



Note: Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis. For more information, see the text box on Page 2.

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Metrics help measure what the state owes and what it has available to pay it back. No single metric offers a complete measure of capacity relative to obligations. Therefore, the more used in a study, the more dynamic the analysis. Studies in 26 of the 27 states contain multiple metrics. Table 3 contains more information on what metrics states use in their studies. Common statistics include:

- **Debt service as a share of revenues.** This ratio refers to the borrowing costs as a percentage of total tax revenue the state collects and is the most commonly used metric. Twenty-two of the 24 states that produce studies include this measure to assess affordability.
- **Total debt per capita.** This statistic presents outstanding debt per resident, allowing for comparisons between states while accounting for population differences.
- **Total debt as a share of state personal income.** This ratio includes a broad measure of a state's economy or capacity to repay debt and can facilitate comparisons across states.

Certain metrics evaluate debt relative to actual capacity while others look at debt relative to potential capacity. Debt service as a share of revenues is an example of the former category as it uses expected revenues. The latter includes metrics such as debt as a share of state personal income, a statistic that quantifies a possible tax revenue base.

Contextualizing these figures with analysis gives a fuller understanding of how the metrics should be interpreted. Looking back at these metrics over previous years can also provide insight, because such trend analysis allows policymakers to understand whether their debt capacity is increasing or shrinking.³⁹

One metric is generally used to demarcate an amount above which debt cannot rise; this is a state's affordability metric. States vary in whether these gauges of affordability are legally binding or complement existing debt limits. Debt service as a share of revenue is the most common metric used, with 23 of the 27 states producing debt affordability studies using this measure. Louisiana's constitution caps debt service as a share of revenue at 6 percent.⁴⁰ Maryland sets a threshold for outstanding debt at no more than 4 percent of personal income and debt service at 8 percent of revenue.⁴¹

Policymakers must decide what constitutes affordable debt, as there are no accepted definitions or best practices to serve as guidelines. Affordability is relative to each state's political, economic, and fiscal conditions, and no one-size-fits-all definition applies. Likewise, states should decide which figure to use as their affordability metric. While many states favor debt service as a share of revenue, others choose different measures. Experts assert that no single metric is a panacea for the question of how to define affordability.⁴²

Table 3

States Often Use Multiple Metrics to Determine the Affordability of Their Debt

Commonly used debt metrics by state

State	Debt service/ revenue	Total debt/ state personal income	Debt per capita	Debt/state GDP	Other (listed)
Alaska	✓	✓			
California	✓	✓	✓	✓	
Connecticut	✓	✓	✓	✓	Debt service/budget
Florida	✓	✓	✓	✓	
Georgia	✓	✓	✓	✓	Debt/full valuation of all taxable property
Kansas	✓	✓	✓		
Kentucky	✓	✓	✓	✓	
Louisiana	✓		✓		
Maryland	✓	✓	✓	✓	
Massachusetts	✓	✓	✓	✓	
Minnesota		✓			Rate of retirement
Mississippi	✓	✓	✓		Debt/debt limit
Nevada					Debt/assessed valuation
New Hampshire	✓	✓	✓		
New Mexico		✓	✓		Transportation debt service/ pledged revenues
New York	✓	✓	✓		
North Carolina	✓	✓	✓	✓	Transportation fund debt service/total revenue, general fund debt service/ total revenue

Continued on next page

State	Debt service/ revenue	Total debt/ state personal income	Debt per capita	Debt/state GDP	Other (listed)
North Dakota		✓	✓		
Oregon	✓	✓	✓		Debt service/lottery revenue
Pennsylvania	✓	✓	✓		Debt/debt limit
Rhode Island	✓	✓			
South Dakota	✓	✓	✓	✓	
Texas	✓	✓	✓		Rate of retirement; total debt/budgeted general revenue
Vermont	✓	✓	✓	✓	Debt/operating revenue; rate of retirement; debt/ spending
Virginia	✓	✓	✓		
Washington	✓	✓	✓	✓	Debt service/gross fuel tax revenue; debt burden/ general spending; debt/ debt limit
West Virginia	✓	✓	✓		Debt service/assessed valuation

Note: Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis. For more information, see the text box on Page 2.

Source: Pew analysis of state debt affordability studies

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Benchmarking allows state officials to compare their debt levels to those in other states or to national averages and can help policymakers assess whether existing debt levels are reasonable. Table 4 shows that the most popular benchmarking comparison was to Moody's Medians, with officials also measuring their states against those with similar credit ratings and to top-rated AAA states. Kansas is the only state to compare itself solely to its neighboring states.

Table 4

States Rely on Ratings Agencies When Making Comparisons to Peers

Peer groups used by states to conduct benchmarking analyses

Most populous states	Comparably rated states	Moody's Medians	AAA-rated states	Neighboring states	Undefined peer group	U.S. mean	Census
California	Alaska	Georgia	Georgia	Kansas	Massachusetts	North Dakota	Connecticut
Florida	Georgia	Kansas	North Carolina		New York		
Texas	New Mexico	Kentucky	Oregon				
	North Carolina	Maryland	South Dakota				
	Washington	Mississippi	Vermont				
	West Virginia	New Hampshire	Virginia				
		Oregon					
		Rhode Island					
		Texas					
		Vermont					
		Virginia					
		Washington					
		West Virginia					

Source: Pew analysis of state debt affordability studies

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When selecting a group of peer states for comparison, it is important for policymakers to choose those with similar characteristics to sharpen the contrasts. States should select an appropriate group of states for benchmarking comparisons, as there may be important distinctions in a number of areas. These include, but are not limited to:

- Infrastructure needs and priorities.
- Economic and demographic data.
- Historical debt issuance trends.
- Revenue sources available for debt service.
- Governance and debt issuance structures.

Accounting for such state-specific factors can lead to a well-targeted group of states. Washington, for example, includes a mix of 15 peer states with variations in demographics and credit ratings. North Carolina compares itself only to other AAA-rated states, although it takes other Southern states into account only in its transportation-related analysis. Finally, as with metrics, a discussion of why it chose certain benchmarks clarifies why the comparisons are important and identifies potential limitations.

Projections that look at trends beyond one year are a key part of debt affordability studies because they allow states to develop repayment plans and understand trade-offs over time. They also increase transparency by providing clear data on the structure and timing of debt payments. Projections are often for three to five years ahead. Those beyond five years should be viewed with some caution, financial analysts said, because the longer the forecast, the less reliable it is. Pew has identified three projections commonly used in debt affordability studies: debt to capacity, future debt issuance, and future debt service.

- **Debt to capacity.** This type of projection captures the state's ability to repay its debt by comparing its debt liabilities to some measure of repayment, such as by using the debt service to revenues metric. Some states use projections to calculate future debt capacity, while others simply present the metrics themselves. North Carolina does both, projecting how much more it can safely borrow for the next five years, as well as debt ratios over the same time period.⁴³
- **Future issuance.** Projecting future debt issuance alongside capital improvement needs can give policymakers a sense of any gaps in financing. Maryland, for example, contrasts current and anticipated capital improvement requests with anticipated bond funding in order to illustrate the amount of capital improvements that must either be financed through other means, such as pay-go, or be delayed.⁴⁴
- **Debt service.** Illustrating both existing debt service on bonds already issued and future debt service can help policymakers determine how much money they will need for debt payment (and thus be unavailable for other purposes). The Texas study includes a chart showing total debt service on various bonding programs through 2053.⁴⁵

Each of these forward-looking analyses help policymakers understand future claims on revenue. All but six of the states producing debt affordability studies (Alaska, Kansas, Kentucky, Minnesota, Mississippi, and North Dakota) examine debt in all three ways.

The strongest projections include multiple scenarios with differing assumptions about debt issuance, borrowing costs, and revenue. This allows states to see how much capacity may be available if these variables differ from forecasts. New Hampshire, for example, considers the effects on debt affordability of flat revenue, increased

interest rates, and the state assuming all debt guarantees.⁴⁶ In an age where half of the states have revenue below what they had budgeted for, projecting for uncertainty becomes paramount.⁴⁷

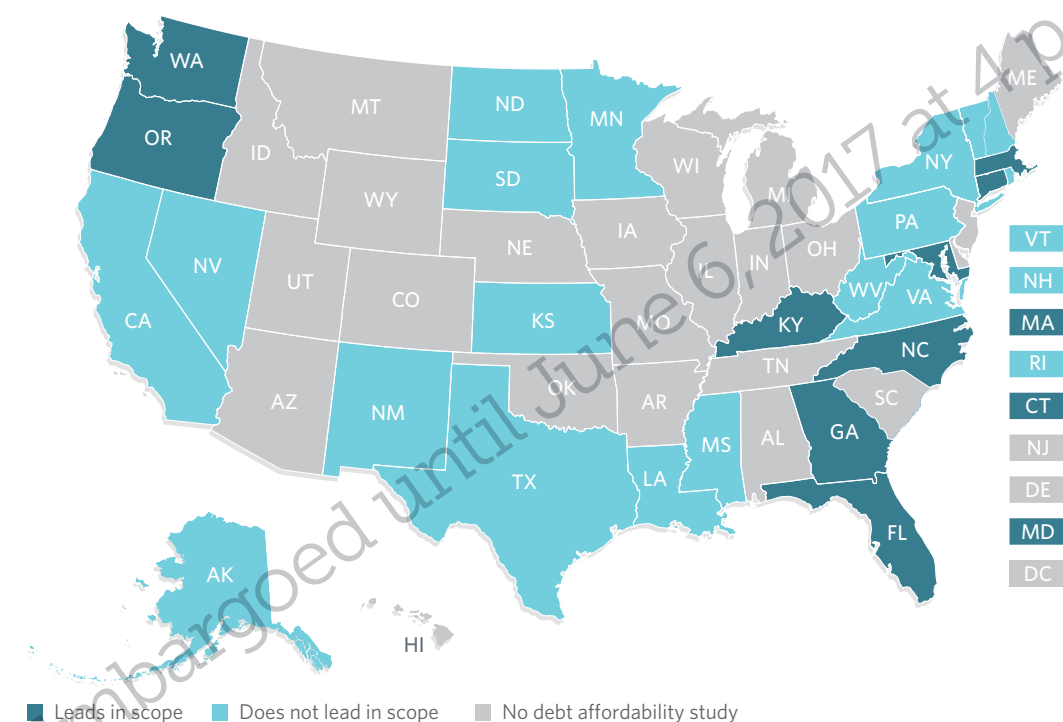
Scope

States must carefully consider the range of liabilities they include in their analysis. Of the states with debt affordability studies, most have room for improvement in this area. As shown in Figure 7, only nine states (Connecticut, Florida, Georgia, Kentucky, Maryland, Massachusetts, North Carolina, Oregon, and Washington) met the criteria to be considered leaders.

Figure 7

Most States Can Improve the Scope of Their Studies

States assessed as leaders in scope



Note: States were designated as leaders if they included more than half of primary and major component unit debt and included a discussion of other long-term obligations such as pensions.⁴⁸ Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis.

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When deciding what debt to include in affordability studies, states should define a purpose for the study and include all debt that is relevant. The purpose should reflect the state's debt issuance structure.

Pew's research found that the goals of debt affordability studies and the scope of debt they consider are tightly linked. This underlines why taking this first step is critical: Establishing a clear purpose for the analysis helps to determine what debt to include. For the most complete picture of a state's liabilities, Pew recommends that officials include a broad range of debt types.

If a state wants to evaluate its capacity to issue debt as a function of certain revenue streams, it is prudent to include all debt types reliant on that revenue. Nevada's study, for example, seeks to determine the state's capacity to issue debt backed by the state's property tax. As a result, it analyzes only general obligation debt, the one type dependent on the tax.

The study's purpose should reflect a state's debt structure. If it issues little general obligation debt but has significant component unit or substate debt, it should consider making those liabilities part of the debt capacity analysis, depending on how closely it backs such debts. In decentralized states where the primary government may issue little debt compared with entities such as independent authorities, including only primary government borrowing in the debt capacity analysis "diminishes the value of the study," said Sugden of S&P.⁴⁹

Policymakers should take into account that the amount, structure, and composition of debt differ among states. Net tax-supported debt per capita ranged from \$193 in North Dakota to \$5,491 in Connecticut in 2014, for instance.⁵⁰ The legal structure differs too. Every state except Maryland and Vermont has laws or constitutional amendments that place limits on the sale of general obligation bonds.⁵¹ These laws, however, have a limited impact on a state's total debt because other entities, such as local governments or independent public authorities, also can issue publicly supported debt.⁵² Here, too, states vary widely. Arizona prohibits the sale of general obligation bonds by the state, leading to higher borrowing by other entities. For example, a Phoenix-based electric utility was the state's largest issuer in 2015.⁵³ In contrast, the Massachusetts state government is permitted to engage in general obligation borrowing, and therefore issues more debt than any other entity in the commonwealth.⁵⁴ States should recognize which entities issue debt and tailor their studies accordingly.

General obligation bonds, payable from the tax-supported general fund, are almost always included in a debt capacity analysis in states that sell them. But states vary in whether they believe a debt capacity analysis should include revenue bonds, special assessment bonds, state-backed debt of local governments, and component unit debt such as that of state agencies and authorities. Yet all of these are types of debt for which taxpayers could be responsible.

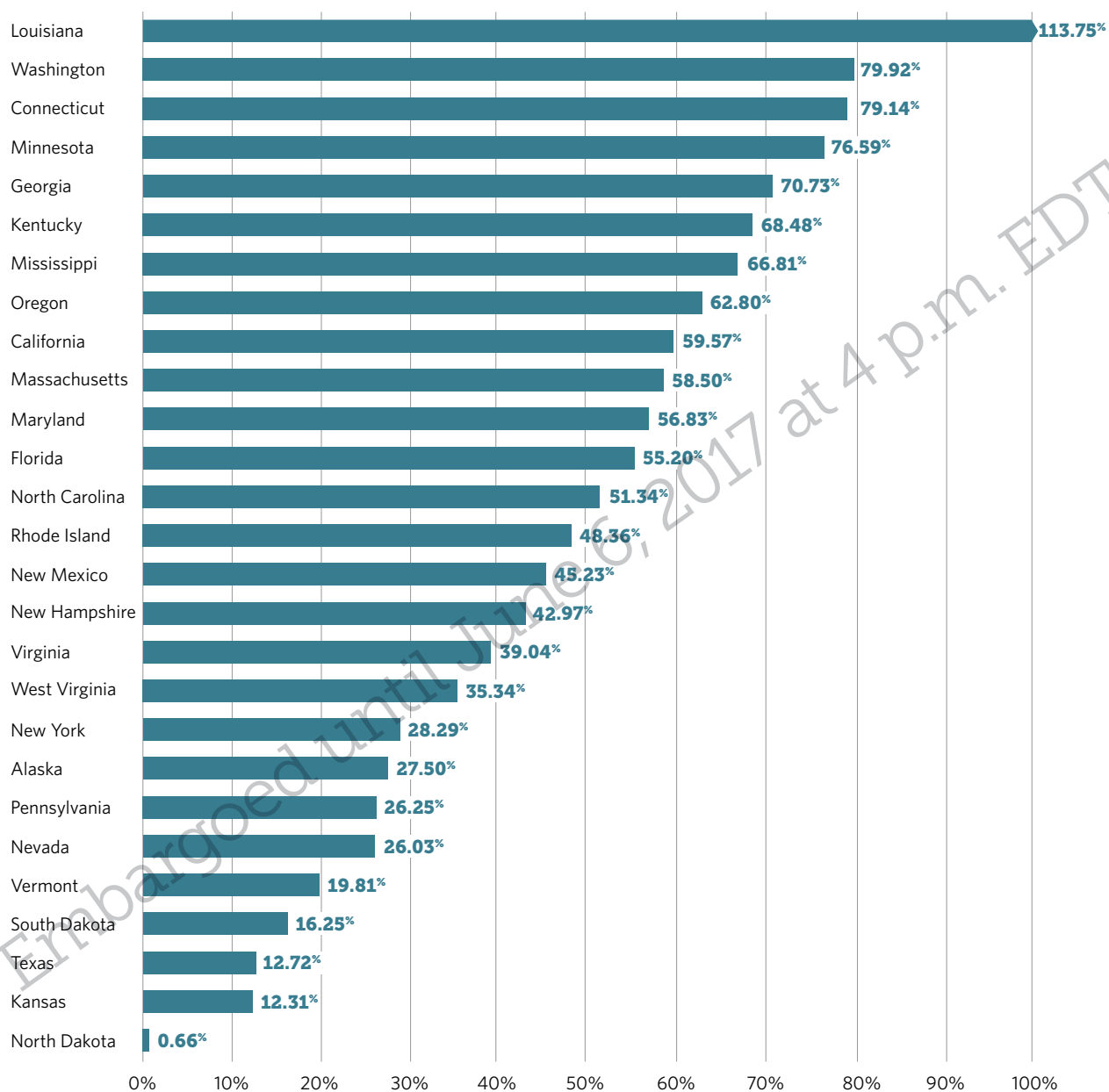
Credit rating agencies do not prescribe which liabilities should be included in debt affordability studies, but they make clear they prefer a broad, comprehensive definition to "capture all the different types of tax-backed debt that you issue," Sugden said.

To assess how much state debt is included in studies, Pew calculated the portion of all state and major component unit debt used to model future debt capacity (see Figure 8). On average, states include 48 percent of their debt. Only four states (Connecticut, Louisiana, Minnesota, and Washington) include 75 percent or more.

Figure 8

Many Studies Fail to Account for a Majority of State Debt

Percentage of total state debt included in analyses of debt capacity



Notes: Total state debt includes the long-term outstanding debt of the primary government and major component units. In states that do not distinguish between major and nonmajor component units, the debt of all such entities is included. Using this figure, Louisiana's study analyzes more than 100 percent of the state's primary government and major component unit debt because it includes debt outstanding from nonmajor component units.

Source: Pew analysis of state debt affordability studies, CAFRs, and component unit financial statements

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Collect data on component unit, agency and authority, and substate debt, even if they are not modeled in the debt affordability study's capacity analysis. Use these data, along with a judgment of the strength of state support, to decide on inclusion in the capacity analysis.

States vary in their treatment of liabilities that do not have an explicit legal claim on general funds. Component unit debt makes up the biggest part of Vermont's liabilities, but state officials do not include it in the debt capacity analysis. Virginia's debt affordability study examines general obligation bonds, agency and authority (component unit) debt, appropriation bonds, moral obligation bonds, capital leases, installment purchases, and revenue bonds.⁵⁵ Washington's study has expanded over time to encompass debt for which the state is not legally responsible but which belongs to component units and entities such as schools, colleges, and local governments.⁵⁶

"There is debt issued by state entities that is not state debt," noted Ellen Evans, Washington's deputy treasurer for debt management.⁵⁷ This includes bonds issued by universities that are backed by those institutions. "That is not our debt, but it is somewhat related to us since they are state universities."

Local government, or substate, debt is often omitted from debt affordability studies or is discussed in a general way. Only Kentucky and Washington add it to their debt capacity analyses, and even these states include only specific bonding programs, not all local borrowing. (In Kentucky's case, the local debt is appropriation-supported; locals in Washington can borrow through the state's certificates of participation program.) Some states, such as Oregon, discuss local government debt but do not incorporate it into their debt capacity analysis. Including this information, as Oregon does, can help states monitor all debt within their borders.

Because a state government may not be legally responsible for all liabilities within its borders, it may choose not to model these obligations in a debt affordability study. In these cases, the study should still collect data and report on these liabilities, even if they are not included in calculations of borrowing capacity.

The potential consequences of failing to monitor these liabilities were illustrated by events in Rhode Island and California. Rhode Island has made debt service payments since 2014 for bonds issued by Rhode Island Economic Development Corp., even though the state is not required by law to pay bondholders. The agency had sold the bonds in 2010 to benefit a video game company, 38 Studios, which subsequently filed for bankruptcy. Policymakers decided to make the payments anyway because they were worried that the credit rating agencies would lower the state's rating.⁵⁸ The bond sale has continued to plague Rhode Island. In March 2016, the Securities and Exchange Commission charged both the issuer and its underwriter, Wells Fargo, with securities fraud, alleging they failed to disclose the fact that 38 Studios was facing a funding shortfall at the time of the sale and needed additional cash.⁵⁹ In response to these challenges and other borrowing practices, Treasurer Seth Magaziner has urged that debt management policies take a broader view of the state's liabilities.⁶⁰ These policies include a more robust debt affordability study.⁶¹

In California, an executive at a San Francisco economic development authority embezzled \$3.9 million of the agency's bond proceeds.⁶² In response to this crime, state lawmakers determined that greater oversight of borrowing was needed. In 2016, Governor Jerry Brown (D) signed a law requiring state and local bond issuers to report to a state agency that they are current with their payments and that proceeds are being used for voter-approved purposes.⁶³ According to S&P, this oversight could improve the ratings that state issuers receive since it improves financial transparency.⁶⁴

Include a discussion of other long-term liabilities.

Some states include unfunded public pension and retiree health care liabilities in their debt affordability studies. Unlike debt, public pensions and retiree health care are often considered “soft” liabilities. The difference lies in the nature of repayment: While bonded debt carries a promise to pay a specified principal on a set future date at an agreed-upon interest rate, the amounts for the other liabilities fluctuate and do not adhere to a fixed schedule.⁶⁵

Despite these differences, pensions, retiree health care liabilities, and debt all represent a claim on future revenue and considering them can inform decisions on debt capacity. Including a straightforward summary of other long-term liabilities in a separate section of a debt affordability study provides contextual information about the impact these obligations have, or may have, on debt capacity. (Pension obligation bonds, which some states issue to pay the unfunded portion of their pension liability, are considered as state debt and should be included in a debt capacity analysis.)

Pension liabilities in particular have become one of the biggest factors influencing state credit ratings. A state’s credit rating affects the cost of its bond issuances and the final amount any bond will cost. When credit rating analysts downgraded Illinois and New Jersey in 2016, they cited, among other things, those states’ failure to acknowledge and plan for unfunded public pension liabilities. Analysts told Pew that although pensions probably do not belong in the debt capacity analysis section of a debt affordability study, including them in a separate section is prudent. They noted it helps provide a complete picture by explaining how all of a state’s liabilities play into a budget.

Of the 27 states with debt affordability studies, only 14 include a discussion on these other liabilities. One of them, Florida, compares itself against other states with high pension liabilities. Its study compares metrics, including adjusted net pension liabilities as a percentage of revenue and personal income, but does not add pension liabilities to its debt capacity analysis. No states incorporate other long-term liabilities into calculations of debt capacity.

An emerging category of state debt is public-private partnerships, in which the state shares the borrowing cost of projects with the private sector, most commonly for transportation and higher education. Even though these partnerships do not go through the usual approval process for general obligation debt issuances, they do result in short- and long-term liabilities. Due to the similarities to bonded debt, Florida has taken the uncommon step of including these liabilities—\$2.2 billion in outstanding debt as of June 2014—in the state’s debt affordability analysis.⁶⁶ Taking another approach, Maryland does not include these liabilities in its analysis but does discuss them.⁶⁷

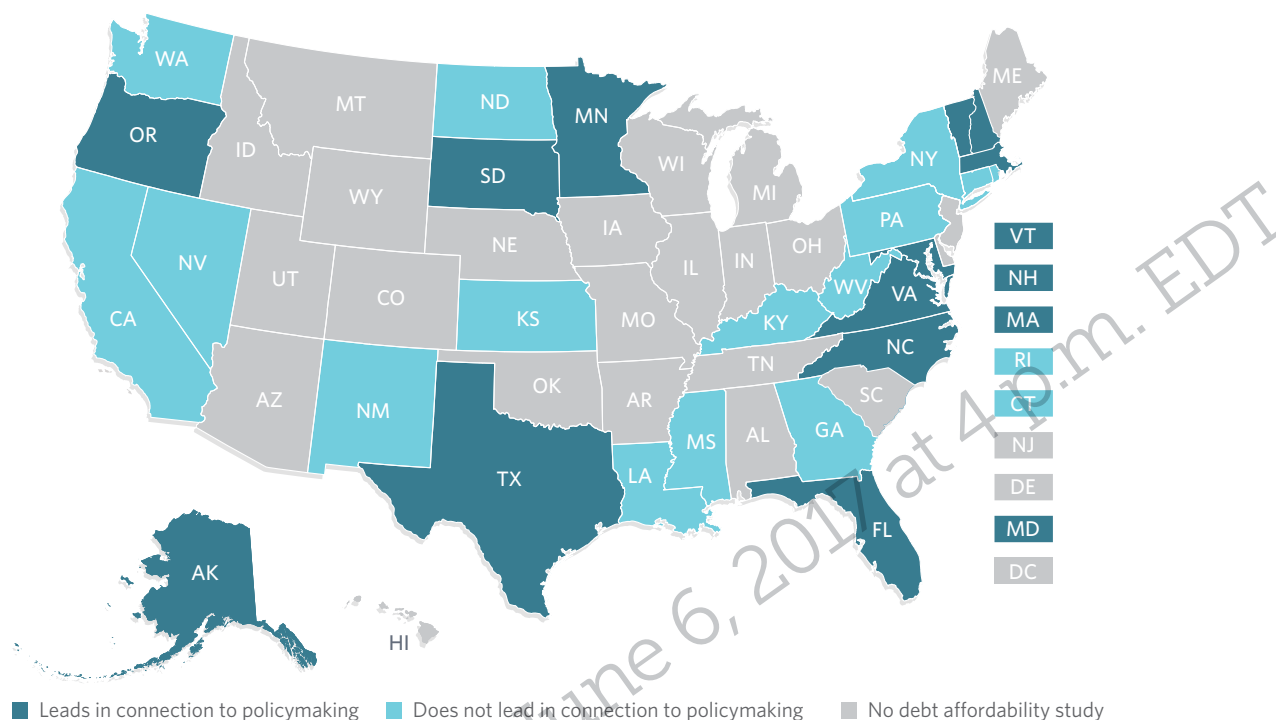
Translating data and analysis into sound policymaking

No matter its quality, a debt affordability study is useful to policymakers only if it is written in a way that connects to the policymaking process. Pew’s analysis found that only about half the debt affordability studies are clearly connected to policymaking (see Figure 9).

Figure 9

Many States Could More Tightly Link Their Studies to Policymaking

States leading in connection to policymaking



Note: A state leads in the connection to policy if the study is required by law and contains a clear statement of remaining debt capacity. Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis.

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Require that debt affordability studies be conducted and make clear their purpose and use, and who will prepare them. Spell out a timetable so the report is released as the governor is putting together capital and operating budget proposals to submit to the legislature.

By mandating an affordability study—by statute or some other formal means—policymakers demonstrate that they take debt management seriously. Sixteen of the 27 states with debt studies have passed laws spelling out the purpose of the debt analysis, who prepares it, what it should include, and how often the study should come out. A legal mandate also signals to credit rating agencies and bond investors the priority state officials give to debt management.

Requiring regular publication of a debt affordability study ensures that it becomes a valuable part of the policymaking toolkit. The study's projections and metrics rely on data such as revenue forecasts, which fluctuate year to year. Publishing regularly, using updated information, gives policymakers a timely and accurate measure of their state's debt capacity. This allows legislators to tie current information from the study to the capital planning and budgeting process, an annual event in most states. Ensuring regular publication—and thereby guaranteeing access to the most current debt statistics—puts policymakers in a position of strength when determining how much debt to budget for. In addition to a regular schedule, tying a debt affordability study

to a needs assessment of capital projects allows policymakers to see how much is available relative to how much is required.

Florida's statute requires the Division of Bond Finance to prepare an annual report listing, among other things, a 10-year projection of revenue and debt service and capacity to borrow. The rationale for the analysis is clear in the law: to give the Legislature a framework "to evaluate and establish priorities for bills that propose the authorization of additional state debt during the next budget year."⁶⁸

Maryland's law is specific about the timetable, purpose, and contents of the debt affordability study. It directs the committee that manages state debt to "review on a continuing basis the size and condition of the state tax-supported debt as well as other debt of [universities and colleges]." The law also requires the committee to submit the report to the governor and General Assembly on or before Oct. 1 each year so lawmakers can consider in their budget discussions the committee's estimate of the total amount of new state debt that can be authorized.⁶⁹

By legally mandating a debt affordability study, a state can establish a fixed schedule for the report's release, ideally timing it to coincide with the state budget and capital planning process, as Maryland did. Minnesota publishes its report in February and November, on the same schedule as the state's economic and budget forecasts. New York also updates its debt affordability study twice a year, first with the governor's proposed capital spending plan and again after lawmakers approve the final budget.

In all but three of the 27 states producing a debt affordability study as defined by Pew, the report is published at least once a year. The exceptions are Nevada, North Dakota, and Kentucky, which produce reports every other year to coincide with biennial budget cycles. In Nevada, the state continually updates its model as officials authorize additional debt and when current revenue totals are available, while in Kentucky, the model is updated as the proposed budget changes.

Include a clear statement of remaining debt capacity.

Providing such a statement can help to guide policymakers' decisions. This is usually presented as a dollar figure that the state can afford to issue while keeping its debt levels under any caps.

Each of the nine leading states includes a pronouncement of remaining capacity, while just seven of the 19 other states with debt affordability studies do (see Appendix C). Including such a figure—many states place it near the beginning of the study or in a first-page summary—is a way to communicate a sometimes complex subject to policymakers whose expertise may not include debt or finance.

North Carolina's study deftly includes the statement on one of the first pages. It reads: "The model results show that the State's General Fund has debt capacity of nearly \$700 million in each of the next 10 years. The ratio of debt service to revenues peaks at 3.66% in the current fiscal year, notably below the 4.00% target."⁷⁰ A few pages later, the study lists the exact amounts available for each of those years. (See Figure 4 for another example of how states implement this technique.)

Pick the right author for the study to ensure the document is actively used.

States should ensure a debt affordability study is published by a trusted body with relevance and familiarity among policymakers. Of states with debt affordability studies, Pew found the two most common entities that produce it are a commission or committee (nine states) and the state treasurer (seven states, in six of which

the treasurer is elected). Others are the governor's budget office (six states), the revenue agency (two states), a legislative office (one state), an office of administrative services (one state), and an independent authority (one state). (See Figure 10 for the range of agencies or offices charged with producing a debt affordability study.)

Choosing the right entity to create the study and offer recommendations requires careful deliberation. Decisions to issue debt combine the values of policymakers and their constituents, the need for capital borrowing, the political philosophies of elected officials, and the empirical information available.⁷¹ "Everybody has their own point of view of what's the highest and best use for public dollars," said Lockwood-McCall of Oregon. The debt affordability study is "trying to get the conversation going in the right direction."⁷²

States should pay particular attention to where an affordability study is published for two reasons. First, debt can sometimes become a political issue. Giving a respected office the responsibility of publishing the study can alleviate potential obstacles. Second, interviews revealed that in some states, it is not widely read. Indeed, some lawmakers don't know it exists. Debt can be a complex subject, so ensuring that the study does not collect dust on a shelf is especially important.

In considering which office will publish the debt affordability study, states should look for certain qualities. The office should have experience with financial analysis, an understanding of the bond market, and easy access to the state's data on outstanding debt, a respected, nonpartisan reputation, and good standing with elected officials and other policymakers.

Legend:

- Budget (executive)
- Treasurer
- Commission/board/task force
- Revenue (finance/tax)
- No debt affordability study
- Other

States included in legend: VT, NH, MA, RI, CT, NJ, DE, MD, DC

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Another model Pew found to be effective in some cases is that of an independent committee or commission whose members include elected officials. This process can work in connecting the findings of a debt affordability study with policymaking. By having lawmakers on the panel, especially those in leadership positions, there is built-in credence for recommendations.

In Georgia, where the Georgia State Financing and Investment Commission produces the state's debt affordability study, the governor, lieutenant governor, and House speaker are on the panel, which recommends how much to borrow up to the maximum 7 percent ratio of debt service to treasury receipts. The governor uses the commission's recommendation when proposing the capital budget, leaving debt capacity for the General Assembly to add projects according to its priorities. According to the Governor's Office of Planning and Budget, this approach helps constrain debt spending because the executive and legislative branches have already agreed to adhere to certain debt levels ahead of the annual appropriations process.⁷⁶

In Maryland, the staff of the seven-member Capital Debt Affordability Committee submits several options for debt issuance to the governor and legislature. Panel members, who include the state treasurer as chair and a mix of lawmakers and state officials, recommend an amount of new debt to be authorized for the coming fiscal year and four years thereafter to aid in capital planning. As in Georgia, the committee's recommendations generally are heeded by the legislature and governor. (See Table 5 for an illustration of two approaches to debt commissions.)

Table 5

Debt Commissions Bring Stakeholders Together to Make Borrowing Decisions

Examples of debt commission/committee members in 2 states

Georgia	Maryland
Governor	Comptroller
Lieutenant governor	Secretary of Department of Budget and Management
House speaker	Secretary of Department of Transportation
State auditor	Member of Senate Budget and Taxation Committee (nonvoting)
Attorney general	Member of House Appropriations Committee (nonvoting)
Commissioner of Department of Agriculture	Governor-appointed public member
State treasurer	State treasurer

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Whatever approach is taken, it is important for the author of the debt affordability study to have expertise spanning several years. Governors and legislators are regularly up for re-election and in some states may be bound by limits that cap their terms. The inherent turnover in government can impede elected officials from developing expertise on complicated state debt matters.

Finally, in selecting who produces the study, state officials should emphasize the need for the report language to be written in a way that policymakers and taxpayers alike can understand. Lee McElhannon, Georgia's bond

finance director, who produces a 30-page report, advises: “To get somebody to actually read the document, the simpler and more concise you can make it, and the quicker you get to the point, the better. We try to keep it to a reasonable length. We can make as long a document as we want, but I don't know that anybody would read it if it was much longer than we have it now.”⁷⁷

Conclusion

In many states, issuing debt is necessary to access the large amount of money needed to build the roads, bridges, ports, schools, and other infrastructure that contribute to a vibrant economy and fiscally healthy state and local governments. Yet many policymakers are unsure how much debt the government can afford to issue, which may hold the state back from realizing its full potential, or lead it to borrow more than it can afford.

Though attitudes toward borrowing vary, states can benefit from approving clear debt policies and practices, especially a debt affordability study. Such an objective analysis assures policymakers and taxpayers that the state has a systematic way to collect, evaluate, and monitor its debt liabilities before lawmakers make decisions about borrowing. The study is for informational purposes, neither encouraging nor discouraging new debt issuances.

Twenty-seven states have debt affordability studies of varying quality. Many of those analyses could be improved, and states that do not have affordability studies may want to consider instituting them to better inform debt policy decisions.

Methodology

Document search

This report identifies which states produce debt affordability studies in an effort to manage their debt portfolio. Pew researchers examined how thorough state studies are and whether they are effective in influencing debt issuance and management policy. Although this report touches briefly on substate debt, it concentrated on evaluating studies' inclusion of primary government and major component unit debt.

Pew began by comprehensively scanning the websites of relevant state agencies, including treasurer, auditor, budget, comptroller or controller, legislative audit, legislative research, bond commission or bond review board, and finance.

In the initial data collection, researchers identified 167 documents published between 2010 and October 2015 that pertain to debt affordability. Pew ultimately decided to use only documents reporting on the fiscal year ending June 30, 2014, the most recent year for which complete data were available from all states.

Next, researchers reviewed the documents to determine which met Pew's definition of a debt affordability study. The documents needed to include a written analysis of the affordability of the state's debt, contain metrics assessing the amount of debt in relation to the state's ability to pay, project future debt outstanding and/or debt service more than one year from the study's publication date, and be produced regularly. This resulted in 27 documents judged as debt affordability studies. It excluded CAFRs and continuing disclosure documents required by security regulations.

The research team was also interested in other documents that included elements of a debt affordability study but did not meet this definition. Pew refers to these documents as debt reports. For the purposes of this

analysis, Pew defined a debt report as a document that included at least one of the criteria required to be a debt affordability study. Sixteen states met that standard.

Pew supplemented the internet search by interviewing finance officials in every state. Team members conducted 62 interviews with more than 70 individuals. The officials confirmed the nature of the documents collected and in some cases provided documents not available on state websites. These interviews also provided further information on the role that debt affordability studies play in the policymaking process. For states without debt affordability studies, interviewers asked if there were other documents informing a state's debt policies. Researchers used a snowball sample, beginning by interviewing the office responsible for the relevant documents and then speaking with additional state officials identified through interviewees.

Researchers also reviewed literature on debt affordability. This helped clarify what pieces were essential to a debt affordability study and gave context to how others had previously defined debt affordability and debt affordability studies. The following works were particularly useful:

- A 2013 report by Jennifer Weiner at the New England Public Policy Center helped spur Pew's thinking on debt affordability. The study asked why debt affordability mattered, offered a definition, and surveyed how some states measure debt affordability.⁷⁸
- A 2013 policy brief, also by Weiner, provided a nuts and bolts introduction on what made up a debt affordability study and how those different aspects served it.⁷⁹
- W. Bartley Hildreth and Gerald J. Miller (2007) posited some parameters for what constitutes a debt affordability study. The work contained their own assessment of how many states produced debt affordability studies (they counted 12) and identified some issues states experienced with certain aspects of debt affordability studies.⁸⁰
- Kenneth A. Kriz and Qiushi Wang (2013) also filled in some of what should be included in a debt affordability study, assessing some of the benefits and drawbacks to traditional debt capacity models. Those models espoused three ways debt capacity could be analyzed—by comparing debt levels to an established debt ceiling, by benchmarking selected ratios, and by using a linear regression statistical technique.⁸¹
- A survey of state debt management policies in states across the country done by Merl M. Hackbart and James Leigland (1990) posed a series of questions to state officials with debt management duties. These included: What are the principal constraints governing debt policy? What kinds of debt are issued by which state governments? What governmental bodies oversee debt issuances?⁸²

Defining debt affordability studies

Pew's evaluation was a two-part system. The first was to identify which documents met the criteria to be considered debt affordability studies. The second was to evaluate those debt affordability studies based on a set of five categories.

In the first part of its assessment, Pew found that 27 states produce a debt affordability study. These studies were defined as documents that:

- Are regularly produced (one-time or ad hoc reports were excluded).
- Use metrics (such as debt per capita) to analyze a state's debt.
- Project debt service outstanding, future debt issuances, or debt relative to capacity beyond the current fiscal year.

- Analyze state debt through at least one of the following:
 - A clear statement of remaining debt capacity.
 - Recommendations regarding debt issuance.
 - A written comment on a metric analysis.
 - A written comment on an analysis comparing, or benchmarking, a state's debt with that of other states.

Assessment

The second part of Pew's evaluation was to assess the 27 states producing debt affordability studies in order to determine which were leading the way. The documents produced by these states meeting Pew's initial criteria were assessed according to their performance in five categories: projections, benchmarking, metrics, mechanics, and scope. Each of these assessment categories consisted of a series of smaller actions. There were four actions within projections, three within benchmarking, and two each within metrics, mechanics, and scope.

States with debt affordability studies were assessed on the following categories:

- **Projections.** States whose studies projected multiple debt scenarios (using either varying debt issuance or revenue possibilities), projected three or more years from the study's publication date, and projected debt capacity, debt outstanding or debt issuance, and debt service outstanding were considered as leading on projections.
- **Benchmarking.** States that benchmarked to multiple metrics and discussed the appropriateness of their benchmarking group or incorporated benchmarking results into a discussion were considered as leading on benchmarking.
- **Metrics.** States that used multiple metrics and incorporated those metrics into a discussion were leading on metrics.
- **Mechanics.** States whose studies had a clear statement of capacity and a legal mandate to produce the study were leading on mechanics.
- **Scope.** States where 50 percent or more of CAFR-reported and major component unit financial statement-reported debt was captured in the study and whose study discussed other long-term obligations were leading on scope.

States with a study that led in four or five of the assessment criteria were judged to be overall leaders. Table 6 summarizes the assessment criteria and evaluation process.

Table 6

Debt Affordability Study Assessment Criteria

	Projections	Benchmarking	Metrics	Mechanics	Scope
<i>Leading component 1</i>	Includes multiple revenue scenarios	Includes multiple benchmarking metrics	Presents multiple metrics	Contains a clear statement of capacity	Share of debt captured is 50% or higher
<i>Leading component 2</i>	Multiple debt issuance scenarios	Discusses benchmarking appropriateness	Discusses metrics results	Legal mandate to produce the study	Other long-term obligations discussed
<i>Leading component 3</i>	Projects at least 3 years	Has benchmarking results discussion			
<i>Leading component 4</i>	Projects debt capacity, debt outstanding or debt issuance, and debt service				
A state leads if it:	Includes either component 1 or 2 and both 3 and 4	Includes component 1 and either components 2 or 3	Includes both components	Includes both components	Includes both components

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To see how each state producing a study scored on this evaluation, see Appendix C.

Appendix A: State debt limits

State	Type of debt limit	Source	Description of general obligation debt limit	Citation
Alabama	Constitutional amendment	Constitution	Voter approval is required for issuance; general obligation debt may not exceed \$750 million.	Constitution of Alabama of 1901, amendment 880
Alaska	Referendum and/or supermajority	Constitution	Debt may be issued only for capital improvements or providing housing loans for veterans. Requires voter approval.	Alaska Constitution, Article IX, Section 9, Page 157
Arizona	Prohibition	Constitution	The state may not exceed \$350,000 in outstanding general obligation bonds, an amount low enough to effectively constitute a prohibition.	Arizona Constitution, Article 9, Section 5
Arkansas	Referendum and/or supermajority	Constitution	Voter approval is required for issuance.	Constitution of the State of Arkansas of 1874, Amendment 20, Pages 84-85
California	Referendum and/or supermajority	Constitution	General obligation debt exceeding \$300,000 outstanding requires voter approval.	California Constitution, Article 16, Section 1
Colorado	Prohibition	Constitution	The state may not exceed \$100,000 in outstanding general obligation bonds, an amount low enough to effectively constitute a prohibition.	Colorado Constitution, Article XI, Sections 3 and 5
Connecticut	Metric	Statute	General obligation debt outstanding and authorized is limited to 1.6 times total estimated general fund tax receipts.	Connecticut General Statutes, Chapter 32, Section 3-21
Delaware	Both referendum and/or supermajority and metric	Constitution and statute	Approval of general obligation issuance requires a three-quarters vote of the Legislature. Additionally, new tax-supported debt may not exceed 5% of the estimated net general fund revenue for that year and may not be issued if the aggregate maximum annual payments for outstanding debt exceeds 15% of the estimated general fund revenue plus transportation trust fund revenue for the fiscal year following the fiscal year in which the debt is incurred.	Delaware Constitution, Article VIII, Section 4, and Delaware Code Title 29, Chapter 74, Section 7422
Florida	Both referendum and/or supermajority and metric	Constitution and statute	General obligation (GO) bonds may be sold only through bonding programs authorized by constitutional amendment. Debt service on state tax-supported debt, including GO bonds, may not exceed 6% of revenues available to pay such debt without a legislative determination that such debt is in the best interest of the state. The Legislature may not authorize issuance if doing so would cause the debt service to revenues ratio to exceed 7%, except in the case of a state emergency.	Florida Constitution, Article VII, Section 11, Part A; and Florida Statutes, Title XIV, 215.98, Section 1

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State	Type of debt limit	Source	Description of general obligation debt limit	Citation
Georgia	Metric	Constitution	Fiscal year debt service requirements for total outstanding debt (general obligation and guaranteed revenue) may not exceed 10% of the prior fiscal year's total state treasury receipts.	Georgia Constitution, Article VII, Section IV, Paragraph I (c, d, e) and Paragraph II (b)
Hawaii	Metric	Constitution	General obligation bonds are limited. The total amount of principal and interest payable may not exceed 18.5% of the average of the general fund revenues in the three fiscal years preceding issuance.	Hawaii Constitution, Article VII, Section 13
Idaho	Referendum and/or supermajority	Constitution	Voter approval is required for issuance.	Idaho Constitution, Article VIII, Section 1
Illinois	Both referendum and/or supermajority and metric	Constitution and statute	Approval from three-fifths of the legislature or a majority of voters is required for issuance. Additionally, general obligation debt may not be issued if debt service on all outstanding bonds in the next fiscal year would exceed 7% of the preceding fiscal year's aggregate appropriations from general funds.	Illinois Constitution, Article IX, Section 9 and 30, Illinois Compiled Statutes 330/2.5
Indiana	Prohibition	Constitution	General obligation debt is not permitted.	Indiana Constitution, Article 10, Section 5
Iowa	Referendum and/or supermajority	Constitution	Voter approval is required for issuance.	Iowa Constitution, Article VII, Section 1-5
Kansas	Referendum and/or supermajority	Constitution	General obligation debt is limited to \$1 million unless an issuance is approved by voters and the Legislature.	Kansas Constitution, Article XI, Section 6-9
Kentucky	Referendum and/or supermajority	Constitution	General obligation debt is limited to \$500,000 unless an issuance is approved by voters.	Kentucky Constitution, Section 49-50, 176
Louisiana	Both referendum and/or supermajority and metric	Constitution and statute	General obligation debt requires approval from two-thirds of the Legislature. Net tax-supported debt is limited to 6% of estimated revenues. Additionally, the annual debt service requirement for general obligation debt may not exceed 10% of the average annual revenues of the Bond Security and Redemption Fund for the last three fiscal years completed prior to the issuance. Total authorized bonds cannot exceed two times the average annual revenues for this fund over the same time period.	Louisiana Constitution, Article VII, Section 6-7, Louisiana Statute 39:1402, and Louisiana Statute 30:1365
Maine	Referendum and/or supermajority	Constitution	Issuance requires approval from both two-thirds of the Legislature and a majority of voters.	Maine Constitution, Article IX, Section 14
Maryland	No limitation		No limitation.	

Continued on next page

State	Type of debt limit	Source	Description of general obligation debt limit	Citation
Massachusetts	Both referendum and/or supermajority and metric	Constitution	General obligation debt is limited to \$17 million for fiscal year starting July 1, 2011, and thereafter the general obligation limit is 1.05 times the limit established for the previous fiscal year. General obligation debt requires authorization by law through approval of two-thirds of the Legislature.	Massachusetts General Laws, Part I, Title III, Chapter 29, Section 60A
Michigan	Referendum and/or supermajority	Constitution	Issuance requires approval from both two-thirds of the Legislature and a majority of voters.	Michigan Constitution, Article IX, Sections 14-16
Minnesota	Referendum and/or supermajority	Constitution	Issuance requires approval from three-fifths of the Legislature.	Minnesota Constitution, Article XI, Section 5
Mississippi	Metric	Constitution	Outstanding general obligation may not exceed 1.5 times the sum of all the revenue collected during any one of the preceding four fiscal years, whichever year might be higher.	Mississippi Constitution, Article 4, Section 115
Missouri	Referendum and/or supermajority	Constitution	Voter approval is required for debt in excess of \$1 million.	Missouri Constitution, Article III, Section 37
Montana	Referendum and/or supermajority	Constitution	Issuance of GO bonds may be authorized by the Legislature, requiring approval from two-thirds of each house. Alternatively, issuance of GO bonds may be authorized by voter initiative, requiring approval of the majority of voters.	Montana Constitution, Article VIII, Section 8
Nebraska	Prohibition	Constitution	General obligation debt is limited to \$100,000, an amount low enough to effectively constitute a prohibition.	Nebraska Constitution, Article XIII, Section 1
Nevada	Metric	Constitution	General obligation debt is limited to 2% of the assessed value of property in the state.	Nevada Constitution, Article IX, Section 3
New Hampshire	Metric	Statute	Debt service is limited to 10% of unrestricted general fund revenues for the previous fiscal year, and exceeding that limit requires approval from three-fifths of the legislature.	New Hampshire Title I, Section 6-C:2
New Jersey	Both referendum and/or supermajority and metric	Constitution	General obligation debt is limited to 1% of the total amount appropriated by the general appropriation law for that fiscal year, and exceeding the limit must be authorized by law for a specific project and receive voter approval for issuance.	New Jersey Constitution, Article VIII, Section II, paragraph 3
New Mexico	Both referendum and/or supermajority and metric	Constitution	General obligation debt is limited to 1% of the assessed valuation of property subject to taxation in the state, and requires voter approval for issuance.	New Mexico Constitution, Article IX, Section 8

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State	Type of debt limit	Source	Description of general obligation debt limit	Citation
New York	Both referendum and/or supermajority and metric	Constitution and statute	Issuance requires approval from three-fifths of the legislature. The total amount is limited to 4% of state personal income, and debt service is limited to 5% of revenues.	New York State Constitution, Article III, Section 23; Article VII, Sections 9-1, 14, 18-19; Article XVIII, Section 3; and New York State Finance Law § 67-b
North Carolina	Metric-based with referendum to exceed	Constitution	Voter approval is required for issuance unless the amount issued is equal to or less than two-thirds of the general obligation debt retired during the previous biennium.	Constitution of North Carolina, Article 5, Section 3
North Dakota	Metric	Constitution	Up to \$10 million of general obligation debt may be issued if secured by state property or enterprises, or general obligation debt of no limit may be issued as long as it is secured by a first mortgage upon real estate in amounts not to exceed 65% of its value.	Constitution of North Dakota, Article X, Sections 13-14
Ohio	Constitutional amendment	Constitution	Debt service on direct obligations of the state, which includes general obligation and other bonds backed by the state's general revenue fund (GRF), may not exceed 5% of total GRF revenues and net state lottery proceeds.	Ohio Constitution, Article VIII, Sections 1-17
Oklahoma	Both referendum and/or supermajority and metric	Constitution and statute	Issuance requires authorization by law for a specific project and voter approval. Debt service on outstanding debt, including general obligations, is limited to 5% of the average of the general fund revenue for the preceding five fiscal years. Exceeding that limit requires approval from two-thirds of the Legislature.	Constitution of the State of Oklahoma, Article X, Sections 23-25, and Oklahoma Statutes Section 62-34.200
Oregon	Metric	Constitution	General obligation debt is limited to \$50,000 with an exception for debt to build and maintain roads, which may not exceed 1% of the assessed value of property in the state.	Oregon Constitution, Article XI, Section 7
Pennsylvania	Metric-based with referendum to exceed	Constitution	Voter approval is required for issuance except for itemized capital projects. Net debt outstanding is limited to 1.75 times the average annual tax revenues in the previous five fiscal years.	Pennsylvania Constitution, Article VIII, Section 7
Rhode Island	Referendum and/or supermajority	Constitution	General obligation debt is limited to \$50,000, but that limit may be exceeded with voter approval.	Constitution of Rhode Island, Article VI, Sections 16-17
South Carolina	Both referendum and/or supermajority and metric	Constitution	Debt service on general obligation bonds is limited to 5% of general revenues for the preceding fiscal year (excluding highway bonds, state institution bonds, and tax and bond anticipation notes) and two-thirds Legislature or voter approval is required for general obligation issuance.	Constitution of South Carolina, Article 10, Section 13

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State	Type of debt limit	Source	Description of general obligation debt limit	Citation
South Dakota	Both referendum and/or supermajority and metric	Constitution	General obligation debt may not exceed \$100,000 unless issued for the purpose of economic development. Such debt may not exceed 0.5% of the assessed valuation of the property of the state. Two-thirds approval of the Legislature is required for issuance.	Constitution of South Dakota, Article XIII, Sections 1 and 2
Tennessee	Metric	Constitution and statute	Debt service in the current or any future fiscal year is limited to 10% of total state tax revenue allocated to the general fund, debt service fund, and highway fund for the preceding fiscal year.	Tennessee Code 9-9-105
Texas	Both referendum and/or supermajority and metric	Constitution	Annual debt service in any fiscal year on state debt payable from the general revenue fund is limited to 5% of the average amount of unrestricted general revenue fund revenues from the three preceding fiscal years. General obligation debt must be passed by a two-thirds vote of both houses of the Legislature and a majority of voters.	Texas Constitution, Article III, Sections 49 and 49-j
Utah	Metric	Constitution and statute	General obligation debt is limited to 1.5% of the assessed value of taxable property in the state. The state also sets a limit on appropriations, and outstanding general obligation debt may not exceed 45% of the maximum allowable appropriations amount. This limitation may be exceeded with two-thirds approval by the Legislature.	Utah Constitution, Article XIV, Sections 1-2; Article XIII, Section 5; and Utah Code Title 63J, Chapter 3, Section 204 and 402
Vermont	No limitation		No limitation.	
Virginia	Both referendum and/or supermajority and metric	Constitution	General obligation debt for nonrevenue-producing capital projects is limited to 25% of an amount equal to 1.15 times the average annual taxes on income and retail sales for the three preceding fiscal years. This general obligation debt requires approval of the majority of members of each house of the legislature and the majority of the electorate.	Constitution of Virginia, Article X, Section 9
Washington	Both referendum and/or supermajority and metric	Constitution and statute	Debt service payments are limited to 8.5% (8.25% from July 1, 2016, through June 30, 2034) of the mean of general state revenues for the six preceding fiscal years. General obligation debt requires approval from three-fifths of the Legislature and may also require voter approval.	Washington State Constitution, Article VIII, Section 1
West Virginia	Constitutional amendment	Constitution	General obligation debt, beyond short-term and defensive purposes, is only permitted with a constitutional amendment, which requires two-thirds majority from the Legislature and ratification by a majority of the electorate.	Constitution of West Virginia, Article X, Section 10-4

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State	Type of debt limit	Source	Description of general obligation debt limit	Citation
Wisconsin	Metric	Constitution and statute	Aggregate public debt issued in any calendar year should be less than or equal to 0.75% of the aggregate value of all taxable property in the state, or 5% of the aggregate value of all taxable property in the state should be less than the sum of aggregated public debt outstanding on Jan. 1, after subtracting the amount of sinking funds on hand.	Wisconsin Constitution, Article VIII, Sections 5, 7, and Wisconsin Statute Section 18.05
Wyoming	Metric-based with referendum to exceed	Constitution	General obligation debt is limited to 1% of the assessed value of taxable property in the state. This limit can be exceeded with voter approval for issuance, and debt for "internal improvements" requires approval from two-thirds of the voters for issuance.	Wyoming Constitution, Article 16, Sections 1-2, 6, 9-11

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Appendix B: State debt reporting

Although not all states produce debt affordability studies, most produce at least one report on the state's debt annually. Often, these documents contain some, but not all, of the debt affordability study criteria. The table below lists the documents produced by states and whether they meet the criteria. Some states produce multiple documents. For those states, the document meeting the most criteria is shown here. If a state produces multiple documents that meet the same number of study criteria, all are listed below.

State	Document	Debt affordability study	Produced regularly	Includes projections	Contains metrics	Contains analysis
Alabama	No documents found					
Alaska	January 2015 State of Alaska State Bond Committee Debt Management Policies and State Debt Capacity	✓	✓	✓	✓	✓
Arizona	JLBC Staff Report - FY 2013 Debt and Lease-Purchase Financing Report		✓	✓	✓	
	FY 2013/14 Report of Bonded Indebtedness		✓		✓	✓
Arkansas	No documents found					
California	State of California Debt Affordability Report: October 2014	✓	✓	✓	✓	✓
Colorado	State Taxpayer Accountability Report (STAR) Fiscal Year 2011-2012		✓		✓	
Connecticut	Fiscal Accountability Report: FY 2015-2018	✓	✓	✓	✓	✓
Delaware	Delaware Fiscal Notebook: 2014 Edition		✓		✓	
Florida	State of Florida 2014 Debt Affordability Report	✓	✓	✓	✓	✓
Georgia	Debt Management Plan FY 2015 - FY2019	✓	✓	✓	✓	✓
Hawaii	Statement of the Debt Limit of the State of Hawaii as of July 1, 2014		✓	✓		
Idaho	No documents found					
Illinois	Fiscal Year Bonded Indebtedness and Long-Term Obligations Report		✓		✓	✓
Indiana	Indiana: Debt Overview				✓	✓

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State	Document	Debt affordability study	Produced regularly	Includes projections	Contains metrics	Contains analysis
Iowa	Outstanding Obligations Report State of Iowa Selected State Outstanding Obligations		✓			
	Outstanding Obligations Report		✓			
Kansas	State of Kansas 2014 Debt Study	✓	✓	✓	✓	✓
Kentucky	2014-2020 Statewide Capital Improvements Plan	✓	✓	✓	✓	✓
Louisiana	Net Tax Supported Debt: 2012-2013 and 2013-2014 FY Status and 2014-2015 FY Projection	✓	✓	✓	✓	✓
Maine	Summary of Bonded Debt				✓	
Maryland	Report on the Capital Debt Affordability Committee on Recommended Debt Authorizations for Fiscal Year 2016	✓	✓	✓	✓	✓
Massachusetts	Debt Affordability Committee Attachment to Recommendation	✓	✓	✓	✓	✓
Michigan	No documents found					
Minnesota	Minnesota Management and Budget Debt Capacity Forecast	✓	✓	✓	✓	✓
Mississippi	Debt Affordability Study	✓	✓	✓	✓	✓
Missouri	State of Missouri Summary of Indebtedness		✓	✓		
Montana	Legislative Budget Analysis 2015 Biennium		✓	✓		
Nebraska	No documents found					
Nevada	General Obligation Debt Capacity and Affordability Report	✓	✓	✓	✓	✓
New Hampshire	Debt Affordability Study Update	✓	✓	✓	✓	✓
New Jersey	State of New Jersey Debt Report Fiscal Year 2014		✓	✓	✓	

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State	Document	Debt affordability study	Produced regularly	Includes projections	Contains metrics	Contains analysis
New Mexico	Debt Affordability Study	✓	✓	✓	✓	✓
New York	FY 2016 Capital Program and Financing Plan	✓	✓	✓	✓	✓
North Carolina	Debt Affordability Study	✓	✓	✓	✓	✓
North Dakota	Executive Budget 2015-2017 Biennium	✓	✓	✓	✓	✓
Ohio	Constitution Article VIII, Section 17 Determination and Certification by Governor's Designee		✓	✓	✓	
Oklahoma	Oklahoma State Bond Advisor Annual Report 2014		✓		✓	✓
Oregon	Report of the State Debt Policy Advisory Commission 2015 Commission Report	✓	✓	✓	✓	✓
Pennsylvania	2015-2016 Pennsylvania Executive Budget	✓	✓	✓	✓	✓
Rhode Island	Capital Budget, FY 2015	✓	✓	✓	✓	✓
South Carolina	Annual State Debt Report: An Overview and Summary of South Carolina Debt Outstanding, Limitations, Constraints, and Capacity as of December 31, 2013		✓		✓	✓
South Dakota	South Dakota Debt Limitation and Management Policy	✓	✓	✓	✓	✓
Tennessee	State of Tennessee Indebtedness Report		✓	✓		
Texas	Texas Bond Review Board Debt Affordability Study	✓	✓	✓	✓	✓
Utah	State of Utah Constitutional Debt Limit August 31, 2015		✓		✓	✓
Vermont	Capital Debt Affordability Advisory Committee, Recommended Annual Net Tax-Supported Debt Authorization	✓	✓	✓	✓	✓
Virginia	Virginia Debt Capacity Advisory Committee 2014 Report	✓	✓	✓	✓	✓
Washington	2015 Debt Affordability Study	✓	✓	✓	✓	✓

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State	Document	Debt affordability study	Produced regularly	Includes projections	Contains metrics	Contains analysis
West Virginia	2014 Debt Capacity Report	✓	✓	✓	✓	✓
Wisconsin	Wisconsin Debt Management Policy Issue Paper			✓	✓	✓
	GPR Supported Debt and Bonding Overview			✓	✓	✓
Wyoming	No documents found					

Source: Pew analysis of state debt affordability studies and other documents

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Appendix C: Assessment of state debt affordability studies

The table below presents the scoring criteria for assessing state debt affordability studies. Only states with studies are included.

		AK	CA	CT	FL	GA	KS	KY	LA	MA	MD	MN	MS	NC	ND	NH	NM	NV	NY	OR	PA	RI	SD	TX	VA	VT	WA	WV
Leading state					✓	✓				✓	✓			✓		✓				✓				✓	✓			
Projections	Multiple scenarios					✓		✓	✓	✓	✓			✓		✓	✓			✓				✓	✓			
	Projects 3 or more years	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Projects all types		✓	✓	✓	✓			✓	✓	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Projections leader?					✓			✓	✓	✓			✓		✓	✓			✓				✓	✓			
Benchmarking	Multiple metrics	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓		✓	✓			✓	✓	✓	✓	✓	✓
	Discusses appropriateness of benchmarking group																						✓	✓	✓	✓		
	Incorporates benchmarking into discussion	✓	✓	✓	✓	✓	✓	✓					✓		✓	✓	✓			✓		✓		✓	✓	✓	✓	✓
	Benchmarking leader?	✓	✓	✓	✓	✓	✓	✓					✓		✓	✓	✓			✓			✓	✓	✓	✓	✓	✓
Metrics	Uses multiple metrics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Incorporates metrics into discussion	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Metrics leader?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mechanics	Clear statement of capacity	✓			✓	✓				✓	✓	✓		✓	✓	✓	✓	✓		✓			✓	✓	✓	✓		
	Legal mandate	✓	✓	✓	✓			✓		✓	✓	✓		✓		✓				✓			✓	✓	✓	✓		✓
	Mechanics leader?	✓			✓					✓	✓	✓		✓		✓				✓			✓	✓	✓	✓		
Scope	50% or more debt captured		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓						✓							✓	
	Discusses other LTOs	✓		✓	✓	✓		✓		✓	✓			✓			✓			✓	✓				✓	✓	✓	
	Scope leader?			✓	✓	✓		✓		✓	✓			✓						✓							✓	

Notes: A state leads in projections if it includes multiple scenarios (such as varying interest rates or different borrowing amounts), looks three or more years into the future, and projects three different types of data: future debt service, future debt capacity, and future issuance or debt outstanding. A state leads in benchmarking if it uses multiple metrics to compare itself to other states and either discusses the appropriateness of making comparisons to the peer group or includes a written analysis explaining the significance of the comparisons. For example, a state may note that its debt per capita is greater than that of its peers, perhaps indicating a heavier burden on that state’s taxpayers. A state leads in metrics if multiple metrics are used and they are accompanied by explanatory text. States that lead in mechanics produce a document containing a clear statement of the borrowing capacity remaining and are legally required to produce their studies. Finally, states lead in scope if half or more of their debt was included in the capacity analysis and the study discusses the impact of other long-term obligations, such as pensions and other post-employment benefits, on the state’s ability to afford debt.

Source: Pew analysis of states’ debt affordability studies, CAFRs, component unit financial statements, and statutes
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Endnotes

- 1 See the methodology section for Pew's definition of a debt affordability study.
- 2 Hawaii produced its first debt affordability study in December 2016 but was not included in this total, as its study did not meet Pew's October 2015 deadline for evaluation. Please see the Hawaii text box on Page 2 for more information.
- 3 Requirements for the information that must be contained in a CAFR are set by the seven-member Governmental Accounting Standards Board, an independent organization based in Connecticut that establishes accounting and financial reporting practices for state and local governments. While not a government body, abiding by the board's rules is statutorily required in some states and by auditors who evaluate financial statements. The board's rules are often the standard for what is considered state debt. Certain board interpretations, statements, and pronouncements govern how states deal with various obligations. Interpretation No. 2, for example, delineates disclosure requirements for conduit debt, including certain revenue bonds and certificates of participation (see "Types of debt"). Statement No. 34 establishes reporting requirements for state and local governments, including that officials file financial statements concerning debt service using the modified accrual basis of accounting.
- 4 Georgia Gov. Nathan Deal, "Deal: Georgia Scores Top Marks, Sells Bonds," news release, June 8, 2016, <https://gov.georgia.gov/press-releases/2016-06-08/deal-georgia-scores-top-marks-sells-bonds>.
- 5 Ward Romp and Jakob De Haan, "Public Capital and Economic Growth: A Critical Survey," *Perspektiven der Wirtschaftspolitik* 8, no. S1 (2007): 6-52.
- 6 Robert A. Greer and Dwight V. Denison, "Determinants of Debt Concentration at the State Level," *Public Budgeting and Finance* 36, no. 4 (2016): 111-30.
- 7 A more common practice is borrowing money in the short term—notes that mature up to a year later—to pay employees, vendors, and others when cash flow is slow in the months before residents start paying their taxes.
- 8 For a discussion of the impact of these subsidies on state borrowing, see Martin J. Luby, "Federal Intervention in the Municipal Bond Market: The Effectiveness of the Build America Bond Program and Its Implications on Federal and Subnational Budgeting," *Public Budgeting and Finance* 32, no. 4 (2012): 46-70.
- 9 Patrick Goldsmith (director, Louisiana House Fiscal Division), interview by The Pew Charitable Trusts, May 18, 2016.
- 10 Laura Lockwood-McCall (director, Oregon debt management division), interview by The Pew Charitable Trusts, Nov. 23, 2015.
- 11 American Society of Civil Engineers, "2017 Infrastructure Report Card" <http://www.infrastructurereportcard.org>.
- 12 U.S. Department of Transportation, "2015 Status of the Nation's Highways, Bridges, and Transit: Conditions & Performance" (2015), <https://www.transportation.gov/briefing-room/dot1017>.
- 13 Center on Budget and Policy Priorities, "It's Time for States to Invest in Infrastructure" (2016), <http://www.cbpp.org/research/state-budget-and-tax/its-time-for-states-to-invest-in-infrastructure>.
- 14 Standard and Poor's, "Debt Levels Flatline as U.S. States Prioritize Budget Management Over Investment" (2016); Romp and De Haan, "Public Capital and Economic Growth."
- 15 William Dwyer (New Hampshire state treasurer), interview by The Pew Charitable Trusts, Dec. 22, 2015.
- 16 Myron Frans (commissioner, Minnesota Management and Budget), interview by The Pew Charitable Trusts, March 7, 2016.
- 17 Antonio Cabral (state representative, Massachusetts), interview by The Pew Charitable Trusts, May 25, 2016.
- 18 Ben Watkins (director, Florida Division of Bond Finance), interview by The Pew Charitable Trusts, Dec. 16, 2015.
- 19 Lockwood-McCall interview.
- 20 Emily Raimes (vice president, senior credit officer/manager, Public Finance Group, Moody's Investors Service), interview by the Pew Charitable Trusts, June 3, 2016.
- 21 John Sugden (senior director, state and local government group, Standard & Poor's), interview by The Pew Charitable Trusts, June 1, 2016.
- 22 Moody's Investors Service, "State Ratings List" (August 2016).
- 23 Diana Pope (director, financing and investment, Georgia State Financing and Investment Commission), interview by The Pew Charitable Trusts, Nov. 20, 2015.
- 24 Georgia Gov. Nathan Deal, "Deal: Georgia Scores Top Marks, Sells Bonds."
- 25 North Carolina State Treasurer Janet Cowell, "Treasurer Cowell Announces Bond Ratings for First Issuance of Connect NC Bonds," news release, July 15, 2016, <https://www.nctreasurer.com/inside-the-department/News-Room/press-releases/Pages/Treasurer-Cowell-Announces-Bond-Ratings-for-First-Issuance-of-Connect-NC-Bonds.aspx>.

- 26 Stephen Singer, "Two Wall Street Credit Agencies Downgrade State's Rating," May 19, 2016, <http://www.courant.com/business/hc-connecticut-downgraded-20160519-story.html>.
- 27 Karen Krop (senior director, public finance, Fitch Ratings), interview by The Pew Charitable Trusts, June 1, 2016.
- 28 See Hawaii text box on Page 2. Hawaii published its first debt affordability study in December 2016, after Pew's evaluation period concluded.
- 29 States differ widely in their voter approval requirements for debt. Some do not require it at all, while others such as Rhode Island have low-debt limits that can be exceeded only with voter approval. A number of states require both voter approval and a legislative majority or supermajority, and still others add a metric-based requirement in addition to voter and/or legislative approval. See Appendix A for more detail.
- 30 Most of the definitions in the glossary came from the National Center for Education Statistics, the Governmental Accounting Standards Board, and the Municipal Securities Rulemaking Board.
- 31 Georgia State Financing and Investment Commission, "Debt Management Plan 2015-2019," <http://gsfic.georgia.gov/documents/debt-management-plan-0>.
- 32 North Carolina Debt Affordability Advisory Committee, "North Carolina Debt Affordability Study" (Feb. 1, 2015), https://www.nctreasurer.com/slg/Debt%20Affordability/2015_DAAC.pdf.
- 33 Virginia Debt Capacity Advisory Committee, "Report to the Governor and the General Assembly" (Dec. 18, 2014), <https://www.trsvirginia.gov/Documents/Debt/DCAC/2014%20DCAC%20Package%20for%20Governor%20and%20GA.pdf>.
- 34 See Hawaii text box on Page 2. Hawaii produced its first debt affordability study in December 2016, after Pew's evaluation period concluded.
- 35 Brad Young (press secretary, North Carolina Office of the State Treasurer), interview by the Pew Charitable Trusts, Dec. 15, 2015.
- 36 Jim Terwilliger (state economist, South Dakota), interview by The Pew Charitable Trusts, March 16, 2016.
- 37 Lockwood-McCall interview.
- 38 Sugden interview.
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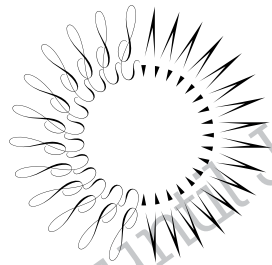
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Scott.A.Milkey

From: Wilson, Stephanie
Sent: Tuesday, June 06, 2017 9:28 AM
To: Jankowski, Jane;Arango, Courtney;McKinney, Caroline;Vincent, Micah;Dudich, Jason;Huge, Dan;McFarland, Stephanie (Stephanie@McFarlandpr.com)
Subject: FW: New 50-state report from Pew on state debt
Attachments: Strategies for Managing State Debt_The Pew Charitable Trusts.pdf

FYI, this report will be released at 4 p.m. today.

From: Rachel Gilbert [mailto:rgilbert2@pewtrusts.org]
Sent: Tuesday, June 6, 2017 9:21 AM
To: Wilson, Stephanie <StepWilson@gov.IN.gov>
Subject: RE: New 50-state report from Pew on state debt

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Good morning, Stephanie,

See attached -- please note this report is embargoed until today, June 6, at 4 p.m. EDT. It will be released on our website then at <http://www.pewtrusts.org/en/projects/states-fiscal-health>.

Let me know if you have any questions.

Best,

Rachel

From: Wilson, Stephanie [mailto:StepWilson@gov.IN.gov]
Sent: Tuesday, June 06, 2017 9:18 AM
To: Rachel Gilbert
Subject: RE: New 50-state report from Pew on state debt

Yes, Rachel, thank you! May we have an embargoed copy?

From: Rachel Gilbert [mailto:rgilbert2@pewtrusts.org]
Sent: Monday, June 5, 2017 5:34 PM
To: Wilson, Stephanie <StepWilson@gov.IN.gov>
Subject: New 50-state report from Pew on state debt

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Good evening, Stephanie,

On Tuesday, June 6, at 4 p.m. EDT, The Pew Charitable Trusts will release a new report that examines strategies for managing state debt.

When a state government faces a large expense, such as expanding a highway or restoring an old bridge, officials often borrow the money to fund the projects, which spreads out the costs over time and to future generations of taxpayers. However, gauging whether a state can afford to take on new debt—and how much—can be difficult.

Pew's latest report examines this challenge and provides our recommendations for how states can best address it. The 50-state report, "Strategies for Managing State Debt: Affordability Studies Can Help States Decide How Much to Borrow," identifies which states are leading the way on this issue, and provides criteria for officials to strengthen an existing study or conduct one for the first time.

The report will be released on [Pew's website](#) on June 6 at 4 p.m. EDT. Please contact me if you are interested in receiving an embargoed copy of the report.

Sincerely,

Rachel

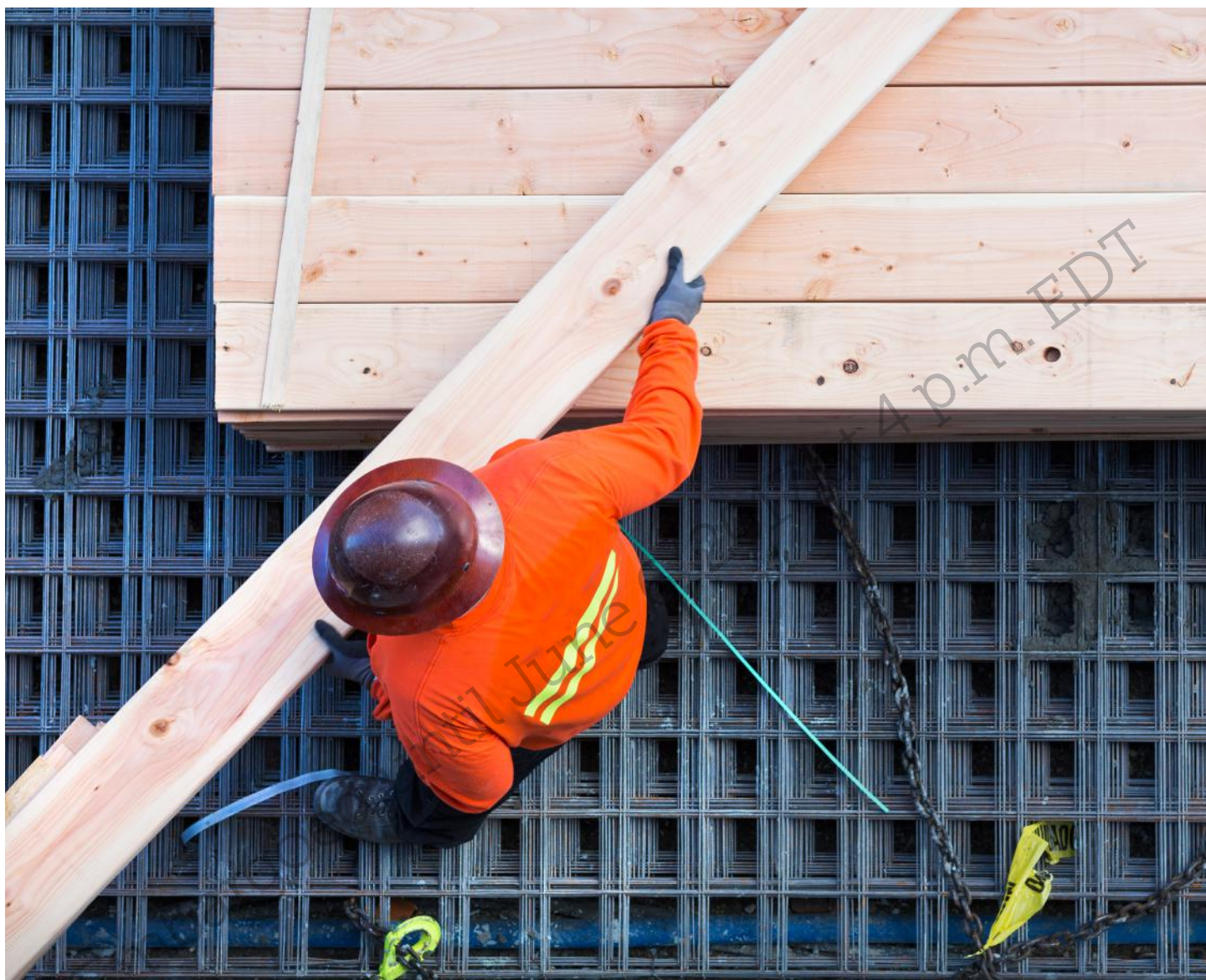
Rachel Gilbert

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Strategies for Managing State Debt

Affordability studies can help states decide how much to borrow

Embargoed until June 6, 2017 at 4 p.m. EDT

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This report benefited tremendously from the insights and expertise of two external reviewers: W. Bartley Hildreth, professor, Andrew Young School of Policy Studies, Georgia State University, and Martin J. Luby, assistant professor, Lyndon B. Johnson School of Public Affairs, University of Texas. Although they have reviewed the report, neither they nor their organizations necessarily endorse its findings or conclusions.

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The Pew Charitable Trusts is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public, and invigorate civic life.

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Overview

When a state government faces a large expense, such as adding lanes to a highway or restoring an aging bridge, officials often borrow the money, allowing these projects to move forward while spreading the costs out over time and to generations of taxpayers.

Gauging whether a state can afford to take on new debt, though—and how much—can be difficult. When lawmakers face decisions over whether to issue bonds or how to manage existing debt, they need the right data to inform their choices. In 27 states, officials produce debt affordability studies that evaluate the impact of potential issuances on the state's self-imposed debt caps. These data-driven analyses give states the power to manage debt in a way that aligns with their resources and spending priorities.

As state budgets recover from the effects of the Great Recession of 2007-09, lawmakers are looking for ways to prepare for the next downturn. At the same time, states are increasingly interested in taking advantage of low interest rates to borrow money for key infrastructure projects that may have been put on hold during the recession.

To help lawmakers and state finance officials better understand and manage their state's debt obligations, The Pew Charitable Trusts conducted a 50-state research study. Pew evaluated state financial documents published from January 2010 to October 2015, reviewed pertinent literature and websites, and interviewed officials, academic experts, and credit rating analysts. The result was the development of a set of criteria to define the characteristics of, and assess the quality of, a debt affordability study.¹

These key findings emerged from the research:

- Twenty-seven states conduct debt affordability studies.² Of these, nine—Florida, Georgia, Maryland, Massachusetts, New Hampshire, North Carolina, Oregon, Texas, and Virginia—lead the way by producing studies that give policymakers a clear understanding of their states' debt levels through, among other things, careful projections, smart benchmarking comparisons, multiple descriptive metrics, and analysis.
- Eighteen other states publish debt affordability studies that could be improved by adding elements such as a legal mandate to produce the study and an expanded scope of analysis. These states are Alaska, California, Connecticut, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington, and West Virginia.
- Highly leveraged states are not alone in publishing debt affordability studies. North Carolina, Georgia, Nevada, and New Hampshire are among the states with the 10 lowest measures of debt per capita, according to Pew's analysis of comprehensive annual financial report (CAFR) data, but all produce a study.
- The states that produce debt affordability studies also vary in how they structure their debt. Some have highly centralized debt structures, while others delegate a higher share of total borrowing to independent agencies and authorities. Twenty-three states, including high-debt states such as Illinois, Michigan, and New Jersey, do not produce a debt affordability study. The amount of total debt held by states in this group differs greatly.

The findings show that the quality and depth of debt affordability studies vary. Unlike a CAFR, which documents the financial condition of a state using standardized accounting data, debt affordability studies do not conform to any generally accepted templates and their content varies from one state to another.³ Indeed, they are meant to have the flexibility necessary to help policymakers understand their state's debt in the context of the state's particular legal structure, fiscal culture, and needs.

Hawaii

In June 2015, Hawaii lawmakers passed legislation directing the Department of Budget and Finance to publish an annual debt affordability study. The department released the first one in December 2016, after the deadline for inclusion in this report's analysis. But an initial review of the study shows that it aligns with many of Pew's recommendations: It has a statutory requirement for publication and uses multiple metrics and extended projections. Like all affordability studies, it also has room for improvement. The benchmarking comparison group, for example, could be more narrowly tailored.

Based on an analysis of the data, Pew developed criteria for a high-quality debt affordability study, which could be used either by officials looking to strengthen an existing study or by officials conducting one for the first time:

- Create a requirement—either by statute or other mechanism—mandating that the state produce a debt affordability study, making clear its purpose and use, who will prepare it, the timetable for ensuring regular publication, and requiring the study to include a statement of how much more the state could afford to borrow. The study's release should coincide with the state capital planning and budgeting process. Doing so helps ensure that it is used in policy analysis, not merely financial analysis.
- Use metrics to put into context what the state has borrowed and its capacity to issue additional debt. These metrics should compare the state's debt load to that of peer states.
- Project the outstanding debt and the cost to service it, and include estimated bond issuances and the state's debt capacity over multiple years. These projections allow debt affordability studies to be forward-looking, something other state financial reports with information on debt are not.
- Include written analysis to explain the data—putting them into context and detailing their implications—and offer clear recommendations for future borrowing and debt management. This analysis equips policymakers with information on the trade-offs between funding infrastructure and capital projects and using the funds on other needs.
- Consider the breadth of publicly supported debt and which obligations to model against state resources. Develop a process for measuring debt issued by component units (entities that are legally separate but perform state functions), independent authorities, state agencies, and local governments. States should consider how much debt these entities issue and how closely the state backs the obligations and distinguish between those modeled in debt capacity calculations and those simply reported.
- Include a discussion of other long-term liabilities, such as public pensions and retiree health care. Although these obligations differ from long-term, bonded debt, they represent competing claims on state funds and should be considered along with debt.
- Ensure that the study originate from an office or body with a commitment to objective analysis and close to the decision-making process to ensure that it is used by policymakers. Among states that produce debt affordability studies, the agency or department that creates them includes state treasurers, executive branch budget staff, comptrollers and controllers, and independent committees and commissions, some of which include elected officials.

Why states borrow

Used carefully and methodically, debt can be a powerful instrument. State and local governments rely on borrowed funds to build or repair vital infrastructure that improves quality of life and drives economic growth. But like individuals buying a home or car, states may not have enough cash on hand to pay for large expenses, so they borrow to spread those costs over time.

Long-term debt—bonds maturing in 10 or more years—is used to fund capital projects such as roads, bridges, ports, housing, sewers, parks, prisons, and other public buildings, including those at colleges and universities.

Borrowing makes it possible for states to finance multiple, pressing infrastructure needs simultaneously instead of one at a time. In June 2016, for instance, Georgia sold \$1.4 billion in general obligation bonds to pay for bridge repairs, new university buildings, local school construction, and new school buses and public safety vehicles. The funds also went to several smaller projects, such as building a seawall on an island north of Savannah and upgrading the voting system in the House of Representatives' chambers.⁴ Money spent on these infrastructure projects can stimulate the economy, help to create jobs, add to the state's physical assets, and offer investors a dependable, tax-free income.⁵ And by using debt to pay for long-lasting capital assets, states can spread the cost of construction to match the useful life of the asset, benefiting taxpayers by distributing costs over multiple years.

States have varying arrangements for sharing the borrowing responsibility for such projects with local governments. For example, while some states issue debt for K-12 school construction and wastewater management, in others, cities and counties take on this debt. In some places, total local government borrowing even exceeds bond issuances by the state.⁶

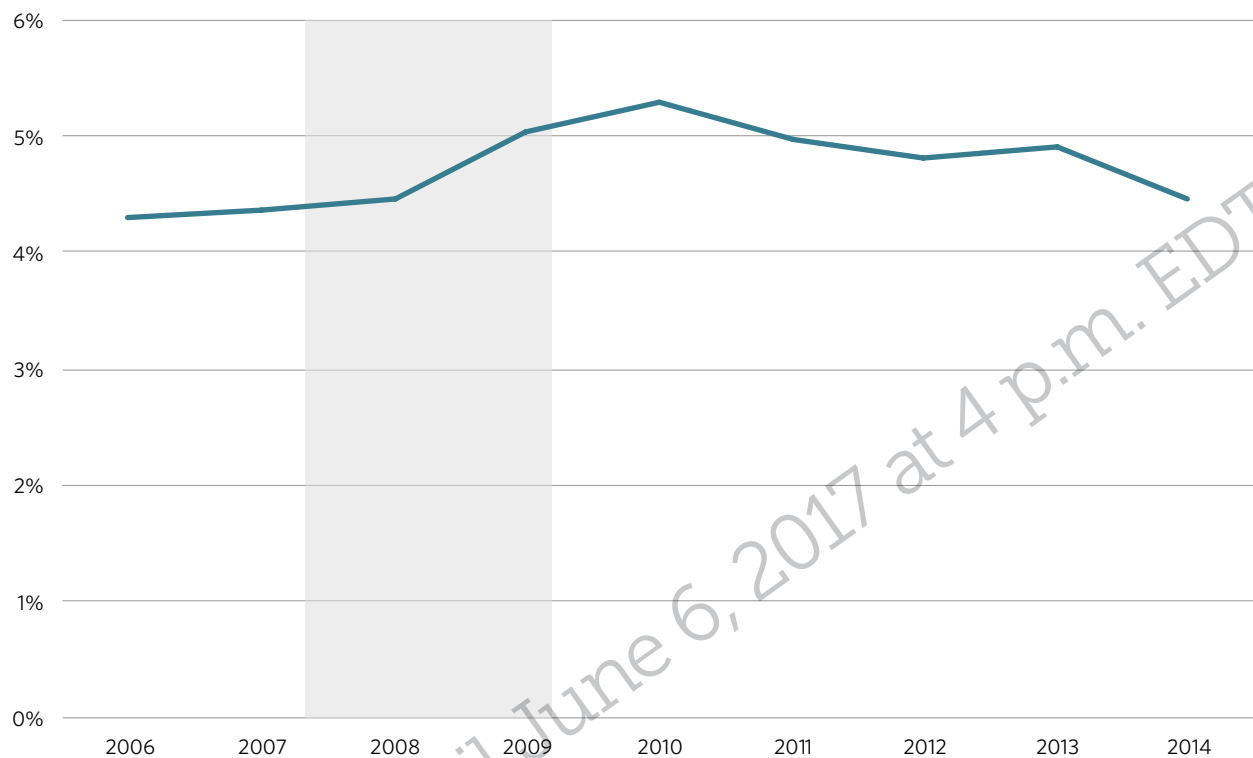
Though government finance experts discourage it, some states borrow to plug operating budget gaps. Some also sell bonds to pay their public sector pension bills, which meets an obligation in the short term but adds to the state's long-term liabilities.⁷ The downside to these approaches is that every dollar spent on debt service cannot go to other spending needs, and the use of one-time funds to address ongoing expenditures could lead to structural budget problems.

However, state borrowing—particularly general obligation bonds—is generally constrained by legal limits or requirements. Further, states appear to have grown increasingly cautious about taking on debt. As shown in Figure 1, total state tax-supported debt as a share of state personal income has remained relatively flat over nearly a decade—even through a period of historically low borrowing costs. Although borrowing rose through 2010, bolstered by interest rate subsidies included in the American Recovery and Reinvestment Act of 2009, gross tax-supported debt, which includes obligations repaid with both general funds and dedicated revenue streams, had returned to 2008 levels by 2014.⁸ This slowdown in borrowing, as seen in Figure 2, is in spite of continued low interest rates.

Figure 1

Outstanding Debt Represents a Small Portion of State Resources

Gross tax-supported debt outstanding as a share of total state personal income



Notes: Gross tax-supported debt includes obligations of the 50 states repaid with both state general funds and dedicated revenue streams.

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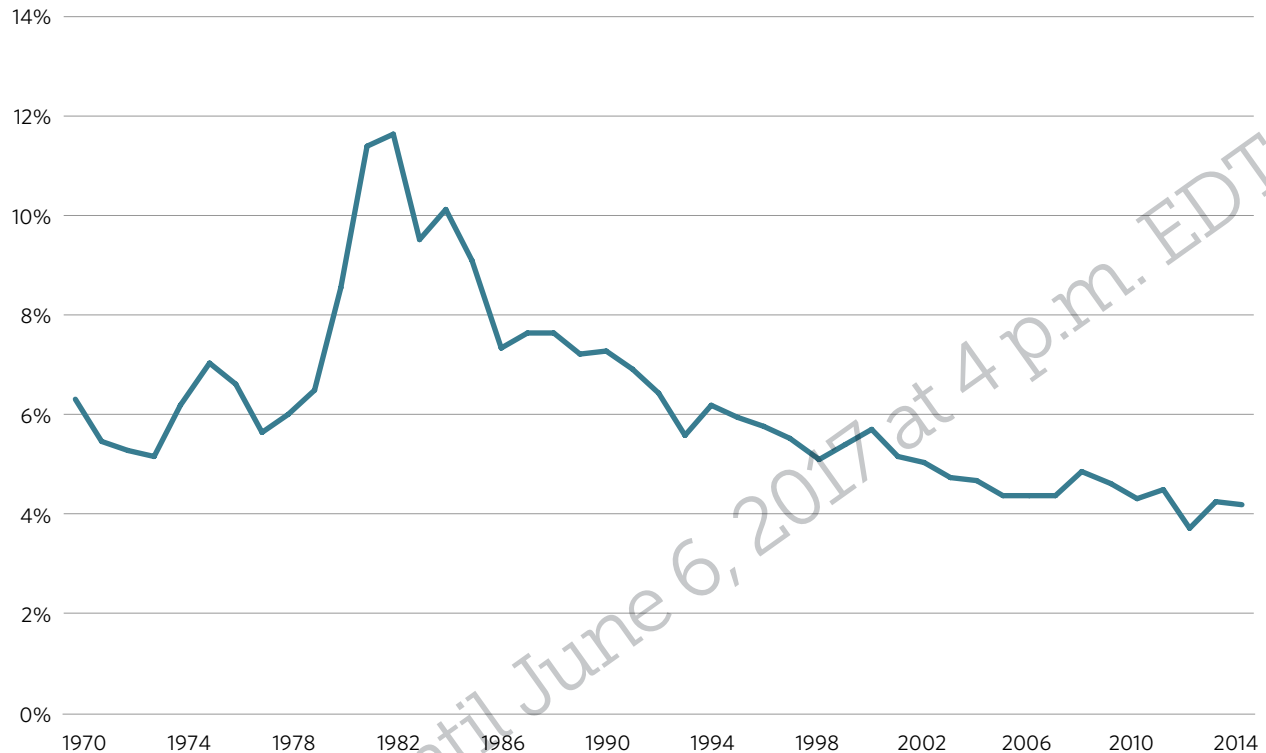
Sources: State personal income data are from the U.S. Bureau of Economic Analysis' Regional Economic Accounts, State Personal Income series, accessed Jan. 2, 2017. Gross tax-supported debt data are provided under a license to The Pew Charitable Trusts from Moody's Investor Services.

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Figure 2

Borrowing Has Stayed Steady or Declined Despite Historically Low Interest Rates

Bond Buyer 20 Index (a composite of general obligation bonds) interest rates



Note: Thirty-year Treasury bonds were not offered between February 2002 and February 2006.

Source: Bond Buyer, Bond Buyer Indexes, accessed Jan. 11, 2017

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Despite constraints on borrowing, many states have trouble tracking all publicly supported debt. Several state officials told Pew that only a handful of policymakers may know the full extent of the state's debt. Challenges collecting and aggregating data, along with multiple layers of government, can pose obstacles. So can the temporary aspect of elected office, especially given the complicated nature of debt financing. This situation creates a need for simple tools, such as debt affordability studies, which can enable policymakers to keep debt at levels that do not constrict funding to other crucial areas.

The Louisiana Bond Commission, made up of 14 members, all but one of whom is elected, illustrates the obstacles inherent in debt policy. "It has got to be tough" for the commission members, said Patrick Goldsmith, director of the Louisiana House Fiscal Division. He noted that debt issuance and management is a highly technical process and that serving on the commission is but one of its members' duties.⁹

This challenge appears across the country. "Debt is just one of the many, many topics that [legislators] need to become familiar with," said Laura Lockwood-McCall, director of the debt management division in the Oregon treasurer's office.¹⁰

Why debt affordability matters

The American Society of Civil Engineers estimates that roads, bridges, tunnels, and other capital assets in the United States need \$4.6 trillion worth of work by 2025, of which just \$2.5 trillion is currently funded.¹¹ Federal agencies agree on the need for large-scale infrastructure spending.¹² But with sluggish revenue growth and pressure to increase pension contributions, states have been reluctant to invest in new projects. As the need to invest in maintaining and improving public infrastructure mounts, the financial burden will likely fall to state and local governments; historically, they contribute about 75 percent of infrastructure-related spending.¹³ In addition to the cost of the construction or repair work itself, such projects often require outlays to cover operating costs and debt service payments. While being cautious about borrowing can help states balance their budgets, new infrastructure can also spur economic growth. And, conversely, constrained investment can slow expansion.¹⁴

With these competing pressures to save or spend, grasping the nuances of debt management is becoming ever more important. Even when states analyze debt affordability as part of the capital planning process, officials sometimes find themselves lacking adequate tools for making decisions on whether to issue debt.

A debt affordability study can provide data-driven insights. Together with policies that guide a state's use of debt, it provides "an essential and forward-looking analysis," as New Hampshire treasurer William Dwyer puts it, "that helps policymakers measure, monitor, and analyze debt."¹⁵ The studies' future projections set them apart from documents such as CAFRs, which look only at a state's current debt levels. Debt affordability studies help states determine, among other things, if there is available capacity for borrowing, understand debt levels relative to peer states, and how much a debt issuance may constrain other spending, and tie debt to capital planning and budgeting processes. The more a state can connect debt projections to capital planning forecasts and needs assessment, the more valuable a debt affordability study becomes.

State officials told Pew that doing a debt affordability study gives them information that is helpful in striking the right balance between issuing bonds and paying for projects with cash, known as pay-go (pay-as-you-go) financing. Affordability analysis also helps states understand the total amount of funding available for capital spending, which aids policymakers in determining which projects to fund first. Myron Frans, commissioner of Minnesota's management and budget agency, said its study "forces policymakers to really examine and gauge how much debt we have relative to our financial situation."¹⁶

These financial situations, of course, differ from state to state. Affordability is subjective. Each state has its own definition of how much debt it can take on, and its own unique infrastructure needs. While nearly every state has general obligation debt limits in its constitution, many states also have supplementary debt caps that are more nuanced, typically based on a metric such as debt service as a share of revenues, because they may include other debt types. Debt affordability studies can help states navigate these caps, in addition to any statutory debt limits. (See Appendix A for more information on state debt limits.)

These studies are also helping states determine how much they can spend on infrastructure and other needs. They can address funding gaps, and keep states within established guidelines, through analysis of both resources and needs. This approach has worked for states both open to and reserved about debt by giving policymakers evidence that there is or is not available borrowing capacity. By taking into account states' unique definitions of affordability and varying levels of need, debt affordability studies become customized tools that all states can use.

Like other states, Massachusetts has struggled with a decline in federal transportation dollars. This has placed "a tremendous burden" on it, said state Representative Antonio Cabral (D), who heads the House Committee

on Bonding, Capital Expenditures, and State Assets. The shrinking federal outlay has increased pressure on the state to borrow money to maintain its bridges and other infrastructure, and to invest in new projects to expand its economy. Massachusetts has one of the nation's highest debt levels, driven by borrowing for schools and other projects. To maintain a balance between its infrastructure needs and responsible bonding, the state created a debt affordability committee in 2012. It conducts an annual study that determines the amount Massachusetts can borrow while staying within a limit of 8 percent of operating budget revenue. The committee's analysis is a key factor in setting the state's borrowing policies. "It keeps people focused," said Rep. Cabral. "Both the administration and the legislature are focused on ... the issuance of bonds to stay within the capital plan. The study creates a perimeter that everyone works within. Everyone takes it seriously."¹⁷

Florida instituted an annual debt affordability study in 1999 as a way to have a comprehensive view of its borrowing. Ben Watkins, the state's bond finance director, recalled then-Governor Jeb Bush (R) pulling him aside after a meeting at which the governor's Cabinet hastily reviewed several debt issuances. "I'm on my way out the door and Governor Bush says, 'Whoa, whoa, whoa, wait a minute. Come back up here. We just took 45 seconds and approved \$750 million in debt. Where are we going with all of this?'"¹⁸ Bush's frustration over not knowing the extent of the state's debt helped spur lawmakers to develop the study, which Pew deems a leader in the field.

Debt affordability analysis also shows Wall Street that the state cares about creating financial blueprints. "We do get brownie points with the credit rating agencies," said Lockwood-McCall, the Oregon director of the debt management. "We get high marks from them for just having good planning." (See box below for a more detailed discussion of credit rating agencies and debt affordability.)¹⁹

How Credit Rating Agencies View Debt Affordability Studies

Preparing a debt affordability study is one of many financial practices that could benefit a state's credit rating if it is part of an overall practice of successfully managing debt, according to credit rating analysts.

In interviews with Pew, top analysts from Moody's, Standard & Poor's, and Fitch said that having a debt affordability study would not by itself result in a credit upgrade or positive outlook. But producing a comprehensive, forward-looking debt study that helps policymakers manage debt over several years could contribute to a boost in the state's rating.

"If a state does a debt affordability analysis that it makes publicly available, we view that as a positive," said Emily Raimes, a Moody's vice president in the public finance group. "Looking out into the future at their ability to issue debt and afford debt is a positive practice."²⁰

Debt management policies are one, though not necessarily the most important, of the financial management or governance practices that agencies evaluate before analysts assign credit ratings.

Continued on next page

Other, more significant, practices include revenue and spending assumptions about surpluses and deficits, multiyear operating and capital budget plans, investment policies, and levels of reserves that include policies guiding when to spend rainy day funds and how to replenish them.

When looking at these practices to establish a rating, agency analysts consider a state's ability to repay its debts, among other things. John Sugden, an S&P analyst, told Pew that debt management "plays an important role in our assessment" because it examines debt service as a percentage of the budget, personal income, and GDP, as well as debt per capita. "We're looking to see how the debt is managed," he said. "And, in most cases, if you have a debt affordability model or a debt management policy, those will guide your decisions and help you manage your debt levels and keep them at affordable levels."²¹

Each time a state issues bonds, agency analysts assign a letter grade, ranging from AAA, the highest, to C. Ratings vary at any given time, but about a dozen states hold the coveted AAA mark. Illinois is the lowest, at Baa1.²² To warn investors of potential upgrades or downgrades, the agencies occasionally release "outlooks" and "watches." Highly rated states historically have been rewarded with lower borrowing costs.

"We can use the savings elsewhere in the budget, so there is a direct benefit" to being a AAA state, said Diana Pope, director of the financing and investment division of the Georgia State Financing and Investment Commission, which prepares a debt affordability study.²³ In June 2016, Georgia earned a triple-A rating from the three agencies for a \$1.37 billion bond sale, resulting in relatively low interest rates, between 0.92 and 2.63 percent, for the series. The agencies cited the state's conservative debt management practices among the reasons for the top rating on the bonds, which will finance dozens of capital projects.²⁴

A month after Georgia's sale, another triple-A-rated state, North Carolina, sold the first \$200 million of a planned \$2 billion issue to pay for college buildings, parks, water and sewer improvements, and the National Guard. Fitch singled out the state's "low liabilities and strong debt management practices, including an affordability planning process."²⁵

By contrast, Connecticut, whose study is not as comprehensive as Georgia's and North Carolina's, was downgraded by two agencies simultaneously in 2016 because of its indebtedness and declining revenue.²⁶ As a result, state taxpayers there are penalized due to the correspondingly higher interest rates on borrowing.

Although agency analysts said they do not require a debt affordability study to give a state a high rating, "more is better when it comes to information," said Karen Krop, senior director of public finance at Fitch. "It's great for us as analysts to have a centralized place to find information, a good description of outstanding debt, pledged revenue, alternate funding techniques, projections, and benchmarks."²⁷

What goes into a debt affordability study

Pew's examination of state agencies managing debt found that debt affordability studies are the only state publications that consistently analyze whether states will be able to borrow money without difficulty. To determine how many states produce debt studies, Pew reviewed existing research on debt affordability and interviewed officials in every state and other government finance experts. This led Pew to conclude that the studies should include data and analysis that help governors and legislatures evaluate the impact of current and future debt issuance on state finances and inform their decisions about proposed bond sales and in setting capital spending priorities.

Twenty-seven states met the standards: Alaska, California, Connecticut, Florida, Georgia, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Mississippi, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Vermont, Virginia, Washington, and West Virginia.²⁸

Figure 3

Elements of a Debt Affordability Study

States can evaluate debt levels by routinely analyzing key data



Presents metrics

Uses metrics, such as debt service as a share of revenues, to contextualize debt relative to the state's ability to pay



Projects obligations

Forecasts debt obligations and/or capacity to repay beyond the current fiscal year



Analyzes affordable debt

Includes written analysis to explain the data—putting them into context, and detailing their implications



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At a minimum, debt affordability studies include four basic elements: metrics, projections of obligations, analysis, and regular publication (see Figure 3). Metrics discussions typically include tables showing how much the state is paying to service its debt; how its obligations compare against state revenue or expenses; and measures such as debt as a percentage of state personal income or debt per capita. These data help show the debt in relation to the state's ability to repay it. Projections should clearly show how much a state will owe in future years based on its current obligations and the likelihood of future issuances, and whether it will have the capacity to meet long-term obligations.

A debt affordability study should also include analysis of these numbers and projections and give guidance on related policy decisions—for instance, whether it is advisable to take on more debt and, if so, how much it can

safely or legally take on. For example, in words and tables, Maryland's debt affordability study lists the state's outstanding tax-supported debt and debt service requirements and advises policymakers on whether they can sell additional general obligation and academic facilities bonds in the coming year without exceeding statutory limits. Such an analysis can also show lawmakers how debt can influence spending on other priorities. It becomes yet more useful if it forecasts how much debt the state can readily take on against how much is necessary to address capital needs.

It is essential that these studies be released on a regular basis because they must contain current data in order to inform the policy process. Updating these studies is also important because they contain projections based on assumptions, such as revenue forecasts, which change from year to year. Updated studies better reflect any changes in a state's fiscal condition. Annual publication is most common, but Nevada, North Dakota, and Kentucky, with biennial budgets, publish every two years. New York and Minnesota's studies come out biannually.

In addition to these elements, the following characteristics strengthen a debt study and add analytical depth:

- A formal requirement to conduct it, either in state law or through agency rules or other means, which includes a list of its contents and a clearly articulated purpose.
- A comparison of debt levels in peer states through a benchmarking analysis.
- A reflection of a state's debt issuance structure and broadening the scope of debt to include all borrowings for which the state may be liable, such as independent authorities, public colleges and universities, and school districts.
- The use of multiple metrics, benchmarks, and projections.

Debt affordability studies may seem similar to CAFRs, the financial reports issued by states or other government entities, or bond disclosure documents, otherwise known as "official statements." The difference lies in both the depth of analysis and the forward-looking nature of debt affordability studies. Whereas the statistical sections of CAFRs report a few metrics, such as debt as a percentage of personal income, debt affordability studies include those metrics with a discussion of the figure's significance. And while CAFRs present current and historical debt levels, a debt affordability study's projections help policymakers understand their state's debt in future years. While disclosure documents may require a debt schedule of a state's outstanding bonds, a debt affordability study calculates how debt service on those bonds affects the state's debt capacity. These studies also help explain debt levels in context so that policymakers can make wise decisions.

How States Borrow

“State debt” can be a difficult concept to define. It includes not only state government bonds, but those issued by agencies, authorities, and special districts. The bonds themselves can vary by type.

Issuers

States, the **primary government**, can retain most of the power to borrow or share this responsibility with other entities. For example, a state may choose to rely heavily on **component unit debt**, or bonds issued by an organization, such as an economic development agency, that may be legally separate from a state’s primary government. States may also expect local governments and other substate entities such as school districts to borrow for capital projects within their jurisdictions.

Lenders to such entities sometimes expect the state to step in if the issuer is unable to repay their debt. If the state offers a **guarantee** on this type of borrowing, it is legally required to pay it off if the original issuer cannot pay. Sometimes, however, there is only a **moral obligation**. In such cases, the state is not legally required to pay off the debt but may do so to protect the fiscal health of the issuing entity and its own credit rating. Sometimes this obligation is written into a bond covenant. Often, the support is more tacit. Both legal guarantees and moral obligations help issuers secure lower interest rates than they otherwise might get. In cases where a state intervenes to meet its moral obligations, lawmakers generally approve a special appropriation to repay the liability.

Financial instruments

Once a state has decided to borrow, there are a variety of financial instruments it can use to do so. Many states concentrate on **net tax-supported debt (NTSD)**, or bonds that the state pledges to repay from tax revenue in the general fund. Although NTSD is a widely used term, there is not universal agreement on what liabilities it covers. Pew took a broad view of debt, examining several liabilities not typically included in NTSD.

General obligation bonds are generally the highest-rated and lowest-cost debt because a state pledges its full faith and credit to pay the interest and principal. These bonds are typically used to finance projects such as building or fixing bridges, roads, public buildings, and utility lines. Twenty-eight states require voter approval for general obligation bonds; Arizona, Indiana and West Virginia prohibit their use. **Debt service** is the yearly principal and interest amounts needed to repay debt. Other net tax-supported debt includes **appropriation bonds**, backed by money set aside by the legislature for a specific purpose. Such borrowing technically entails a moral obligation, though payment is made regularly from state funds.

Continued on next page

Revenue bonds differ from general obligation bonds in that the debt service does not come out of general fund tax revenue or require voter approval. They are paid back with funds from a specific revenue stream, often money generated by the project they are financing, such as toll roads or sports stadium ticket sales. Primary governments and certain state agencies and independent authorities may be allowed to sell such bonds, depending on the state. They are not usually included in NTSD, because they are not tax-supported, but do fall under broader categorizations of debt.

Bond anticipation notes allow a government to begin work immediately on a capital project while waiting for the proceeds of a future bond issue. **Revenue and tax anticipation notes** also pay for current projects before revenue is received from a project financed either by the note or from future tax receipts. **Grant Anticipation Revenue Vehicle** (GARVEE) bonds, used to finance highway projects, are another revenue anticipation vehicle. States pledge to repay GARVEE bonds with money they will receive from the federal Highway Trust Fund.

Some state lawmakers favor **certificates of participation** because voters do not have to approve them and they can be issued quickly. Investors who purchase these certificates receive a share of the revenue, usually from lease payments from a specific project.²⁹

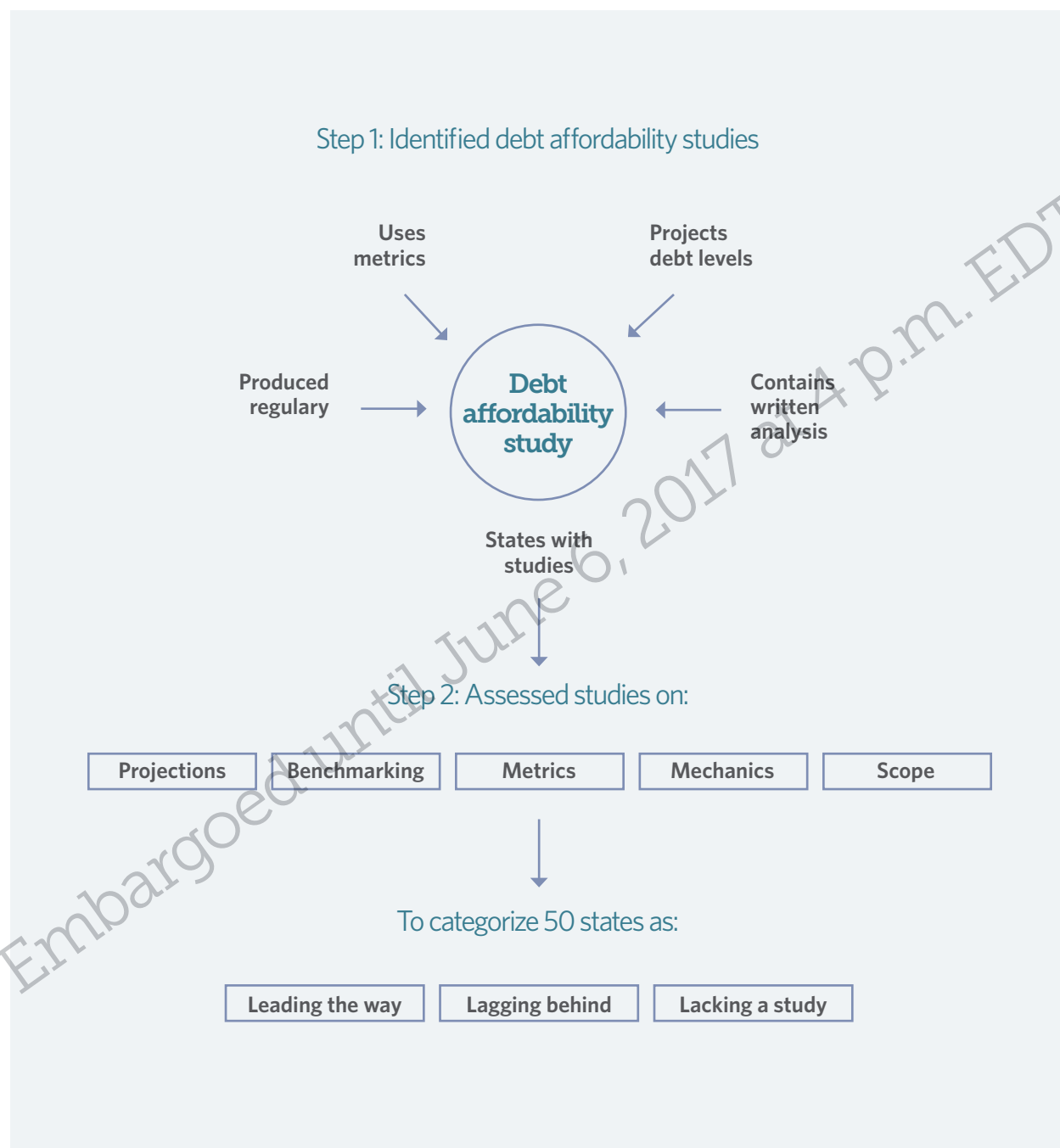
Some states obtain assets such as buildings or land by paying cash or financing the purchase in installments over time. **Capital lease obligations** reflect the principal and interest paid over the course of the lease.³⁰

Findings from Pew's 50-state research

All states take some steps to document their debt, even if they do not produce a debt affordability study. State CAFRs, for example, are required to have statistical sections covering state debt. Some states have debt management policies calling for certain state employees or departments to monitor debt or for keeping a benchmark debt ratio below a specified figure. Others issue ad hoc documents containing some combination of debt metrics and projections.

To assess how states report on their debt, Pew first determined which states produce debt affordability studies. (See Appendix B for a listing of state documents considered.) For those that do, it then assessed the studies based on five criteria: projections, benchmarking, metrics, connection to the policymaking process (or mechanics), and scope. (Figure 4 details Pew's evaluation process.)

Figure 4
Assessing States' Use of Debt Affordability Studies



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Pew assessed states as leading the way if their debt affordability studies led in four or more of these categories. Table 1 explains these categories and provides examples of stellar state practices for each. (See the methodology section for more detail and Appendix C for state-by-state assessments.)

Table 1

What Goes Into a Strong Debt Affordability Study and Which States Are Leading the Way?

Effective studies



Include projections

Project debt levels at least three years into the future, considering various issuance and revenue scenarios and looking at multiple measures of future debt levels such as debt to capacity and debt service.



Benchmark against peer states

Make comparisons to peer states, considering the appropriateness of the comparison group and using multiple metrics to get a full picture of where their state stands.



Use metrics

Use multiple metrics, such as debt service as a share of revenues, to contextualize debt relative to the state's ability to pay. States can also contextualize these metrics with written analysis.



Connect to the policymaking process

Require the production of a debt affordability study on a regular basis and ensure that the report contains a clear statement of remaining debt capacity.



Are broad in scope

Consider the majority of debt outstanding from both the primary government and major component units, and discuss the impact of pensions and other long-term obligations on debt affordability.

A leading example

Oregon estimates additional debt capacity under three different interest rates and both a 10 percent increase and decrease in general fund revenue. It also projects nine years into the future levels of debt to capacity, debt issuance, and debt service.*

New Mexico compares its debt per capita and debt as a percentage of state personal income to similarly ranked states, tracking the latter to the nine years prior to the study's publication. It explains the significance of these comparisons, writing that its ratio of debt to personal income is "toward the higher end of the range among its peers."†

Vermont's study examines debt per capita, debt as a percentage of personal income, debt service as a share of revenues, and debt as a percentage of gross domestic product. It notes that the state's debt capacity has been constrained in recent years by the debt per capita ratio, which has been nearing limitations set by policy.‡

Alaska's study states that the state can issue up to \$1.5 billion in debt over the next decade and still meet its 5 percent debt service ratio. State statute directs the Department of Revenue to prepare an annual report that includes an inventory of state bonded debt, an estimate of how much of this debt will be acquired within the next three years, and an evaluation of debt affordability.§

Kentucky's study captures 68 percent of the primary government and major component unit debt reported in its state CAFR, touching on revenue and authority debt. It also includes a section on unfunded pension and retiree health care liabilities, noting the potential negative impact that funding these liabilities might have on the state's credit rating.||

* Oregon State Debt Policy Advisory Commission, "2015 Commission Report" (January 2015), <https://www.oregon.gov/treasury/Divisions/DebtManagement/Documents/SDPAC/2015%20SDPAC%20Report.pdf>.

† New Mexico Department of Finance and Administration, Board of Finance, "Debt Affordability Study" (December 2014), http://www.nmdfa.state.nm.us/uploads/FileLinks/3f1739ce82c44d4eaf5d5279513389b3/2014_Debt_Affordability_Study_Final_1.pdf.

‡ Vermont Capital Debt Affordability Advisory Committee, "Recommended Annual Net Tax-Supported Debt Authorization" (December 2014), <http://legislature.vermont.gov/assets/Legislative-Reports/2014-Final-CDAAC-Report-with-Transmittal-Memo.pdf>.

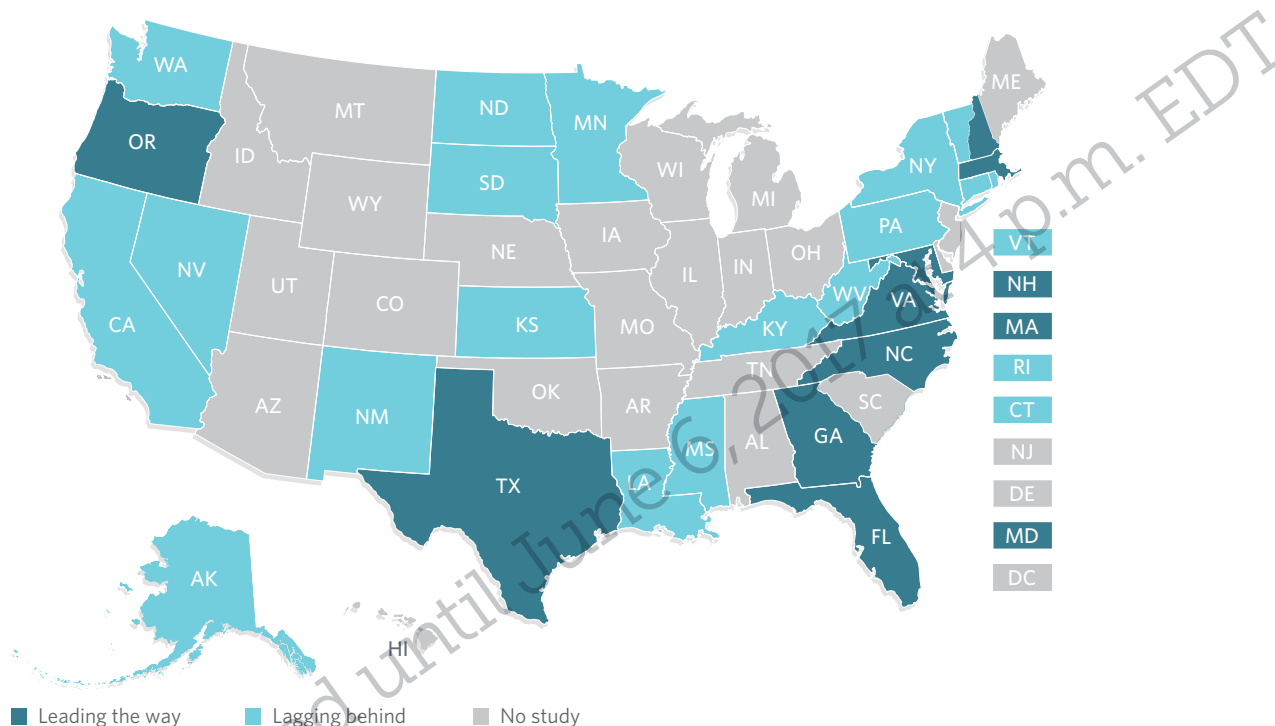
§ Alaska State Bond Committee, "January 2015 State of Alaska State Bond Committee Debt Management Policies and State Debt Capacity" (January 2015), [http://treasury.dor.alaska.gov/Portals/0/docs/AK%202015%20Debt%20Management%20Policies%20%20Debt%20Capacity%20January%202015\(Final\).pdf?ver=2016-01-08-141150-080](http://treasury.dor.alaska.gov/Portals/0/docs/AK%202015%20Debt%20Management%20Policies%20%20Debt%20Capacity%20January%202015(Final).pdf?ver=2016-01-08-141150-080).

|| Capital Planning Advisory Board, Kentucky General Assembly, "2014-2020 Statewide Capital Improvements Plan" (November 2013), <http://www.lrc.ky.gov/Statcomm/CPAB/014-20syp/2014-2020completeplan.pdf>.

After applying these criteria, Florida, Georgia, Maryland, Massachusetts, New Hampshire, North Carolina, Oregon, Texas, and Virginia emerged as leaders in producing robust debt affordability studies. Eighteen states fell in the middle and 23 states did not produce one but could benefit from adopting the practice. Figure 5 provides a visual guide to Pew's categorization.

Figure 5

Nearly Half the States Did Not Produce a Debt Affordability Study During Pew's Period of Analysis



Note: Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis. For more information, see the text box on Page 2.

Source: Pew analysis of state documents and interviews with state officials

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Leading the way

The nine states with the strongest debt affordability studies—**Florida, Georgia, Maryland, Massachusetts, New Hampshire, North Carolina, Oregon, Texas, and Virginia**—are diverse in geography, political leanings, degree of centralization of debt issuance, and amount of debt. Despite these differences, each state has found a debt affordability study to be a valuable financial safeguard.

The leading states differ greatly in how centralized they are in issuing debt. Virginia is the most decentralized, with 71 percent of its debt held by major component units (entities that are legally independent but perform state functions such as building infrastructure), while Oregon and Texas have no debt carried by these entities. The remaining states range from 3 percent of debt held by component units to 35 percent.

Leading states differ not only in where their debt is issued, but also in how much total debt they hold: from \$2.1 billion in New Hampshire to \$44.4 billion in Texas. There is also a range in debt expressed on a per person basis: North Carolina's debt per capita is the lowest, \$1,333, while Massachusetts' is the highest, \$5,981.

The variety among the nine states shows that the desire to comprehensively analyze debt is not limited to states meeting certain conditions. Rather, a debt affordability study is a tool that a group of very different states have deemed worthwhile.

In some areas, the nine states include data and analysis beyond the assessment criteria set by Pew. For example:

- Georgia uses five distinct metrics (debt per capita, debt to personal income, debt service as a share of total revenues, debt as a percentage of the valuation of assessed property, and debt as a percentage of state gross domestic product). This practice provides legislators with a multifaceted picture of claims on state funds.³¹
- North Carolina's report assesses debt based on its purpose. It looks at debt supported by general funds and borrowing backed by transportation revenue separately, and then combines the two. This allows policymakers to both focus in on liabilities of particular interest and take a broader view of the state's long-term obligations.³²
- Virginia complements its capacity analysis with a discussion of the types of projects its borrowing is funding.³³

Though they vary in content, reflecting different debt issuance practices, the leading states have one important attribute in common: They look at debt in a variety of ways to give policymakers a more complete picture of the state's borrowing capacity.

However, even among the nine leading states, there is room for improvement. For example, several could broaden the scope of their studies. The studies in New Hampshire, Texas, and Virginia include less than half of their state's long-term debt. Those in New Hampshire and Texas also lack a discussion of other long-term obligations, such as pensions. Taking a broader view of liabilities would give lawmakers a fuller understanding of the impact of borrowing.

Further, while debt affordability studies can be important financial tools for states, the information in them needs to be brought into the policymaking process to have an impact. Several state officials expressed frustration in interviews with Pew, saying policymakers often overlook the studies when they make borrowing decisions. While a robust debt affordability study is a critical first step, the analysis they supply must be translated into effective decision-making, comprehensive debt management policies, and clear reporting and controls on bond sales.

This process has taken hold in Maryland, where the study works its way from the Capital Debt Affordability Committee to the state's General Assembly and governor in a well-established procedure. The committee has garnered a reputation as an effective body and its recommendations are generally adhered to by the legislature and executive branch.

States with studies that are lagging behind

Eighteen states met Pew's criteria for producing a debt affordability study, but fell short of the criteria outlined in the previous section. These states' studies led in up to three categories but could be strengthened by adding a few elements. Table 2 captures some of these missing parts.

The states in this group are: **Alaska, California, Connecticut, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington, and West Virginia.**

Table 2

Study Elements Often Missing in Lagging States

Element of study	States missing this element
Project multiple scenarios: Studies should consider multiple scenarios to show how the debt forecast would change if underlying variables did. For example, how much capacity will be available if revenue is above or below forecasts? How much debt will the state have if interest rates experience an unforeseen increase or decrease?	Alaska, California, Connecticut, Kansas, Minnesota, Mississippi, Nevada, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington, West Virginia
Discuss appropriate benchmarking peers: Officials should account for state-specific factors when selecting a benchmarking group, and include demographics and capital needs. A stellar debt affordability study discusses which states are most appropriate for comparison.	Alaska, California, Connecticut, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Vermont, West Virginia
Be broad in scope: Debt affordability studies should include the majority of primary government and major component unit debt in their analysis.	Alaska, Kansas, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, South Dakota, Vermont, West Virginia
Show a clear statement of remaining capacity: A succinct summary of how much debt a state can afford to issue can draw policymakers' attention and quickly provide them relevant information.	California, Connecticut, Kansas, Kentucky, Louisiana, Mississippi, New York, Pennsylvania, Rhode Island, Washington, West Virginia

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Washington's study is missing a few key elements. It makes comparisons to peers based on multiple metrics, comments on its selected benchmarking group, and has some analysis of the benchmarking results. It reports on seven metrics overall, including debt per capita, debt as a percentage of personal income, and debt service to revenues, adding commentary to these analyses as well. It captures over half of CAFR debt and discusses other long-term obligations. Washington could go further by modeling the results of different interest rates or above- or below-expected revenue projections and creating a legal mandate to produce the study.

States lacking a debt affordability study

Although all states employ some measures to track their debt, nearly half do not take the advanced step of producing a debt affordability study. This group is comprised of 23 states: Alabama, Arizona, Arkansas, Colorado, Delaware, Hawaii, Idaho, Illinois, Indiana, Iowa, Maine, Michigan, Missouri, Montana, Nebraska, New Jersey, Ohio, Oklahoma, South Carolina, Tennessee, Utah, Wisconsin, and Wyoming. A number of these states produce documents that include some of the key criteria or analyze debt affordability on an ad hoc basis, but each falls short.³⁴

These states vary widely on many characteristics, including economics, demographics, political culture, geography, debt portfolio, and issuance tendencies. Some borrow heavily, while others borrow little.

"States benefit from having a 10-year, forward-looking, rigorous calculation and methodology that provides precise information regarding the estimated debt capacity of the state and measuring the financial impact of issuing additional debt," said Brad Young, press secretary with North Carolina's Office of the State Treasurer.³⁵ North Carolina is among the states with the 10 lowest measures of debt per capita.

A debt affordability study is not an invitation for expanded borrowing, though it can be used to identify available capacity as states consider their capital investment needs. In 2014, South Dakota had the fifth-lowest amount of state debt in the nation, according to annual financial reports that year. Despite the low debt load, it still produces a debt affordability study. "It's one of the things we do to improve our overall financial practices and how we do things in terms of issuing debt and handling our state budget," said state economist Jim Terwilliger.³⁶

Other low-debt states have chosen not to formally analyze their borrowing levels and practices in a debt affordability study but rather to track and analyze debt in other financial documents, which may be sufficient for their immediate needs. However, even these states may benefit from a more robust analysis over the long term. In recent years, traditionally low-debt states such as Utah, Colorado, and Idaho have seen rapid population growth, which has added pressure on infrastructure and sparked debate over the role of debt financing. A debt affordability analysis gives decision-makers critical data to inform these discussions and can serve as the basis for sound policy on state borrowing.

High-debt states, however, would particularly benefit from producing a study, according to officials Pew interviewed. "I think it's even more important when you're one of those higher-debt-ratio states to have a game plan,"³⁷ said Lockwood-McCall, Oregon's director of debt management.³⁸

New Jersey, Illinois, and Michigan are among the 10 highest debt states based on Pew's calculation of primary government and major component unit debt, but they fall short of a complete debt analysis. New Jersey and Illinois produce debt reports with aspects of a debt affordability study. But because those states borrow heavily, policymakers would benefit if they had a fuller accounting and analysis of their states' liabilities. "We're looking at whether states have a debt affordability model, how comprehensive it is, and whether it serves as an effective tool in helping them manage their debt," said John Sugden, senior director of Standard & Poor's U.S. public finance department.

Although they do not produce debt affordability studies, some states take notable steps to catalog their debt. In Tennessee, raising debt service above 6 percent of revenue would automatically trigger the publication of a debt affordability study. (It has not reached that threshold since the rule's implementation.) Wisconsin produces documents in conjunction with new borrowing that would qualify as debt affordability studies if they were regularly produced. They are done, however, only if long-term borrowing has been proposed. New Jersey's debt report is produced regularly and includes metrics, benchmarking, and projections, but it lacks analysis. Other states rely on a history of conservative debt issuance and management.

Recommendations

States that conduct debt affordability studies have found them to be useful tools for making budget decisions, particularly on infrastructure and other capital spending. By providing analysis on debt capacity, they can offer policymakers a profile of their state's debt to inform their choices about balancing revenue, spending, and borrowing. They also improve transparency with taxpayers and interest groups that want to see how the state is managing its finances. Given their clear benefits, Pew recommends that state policymakers include the following elements when designing a debt affordability study.

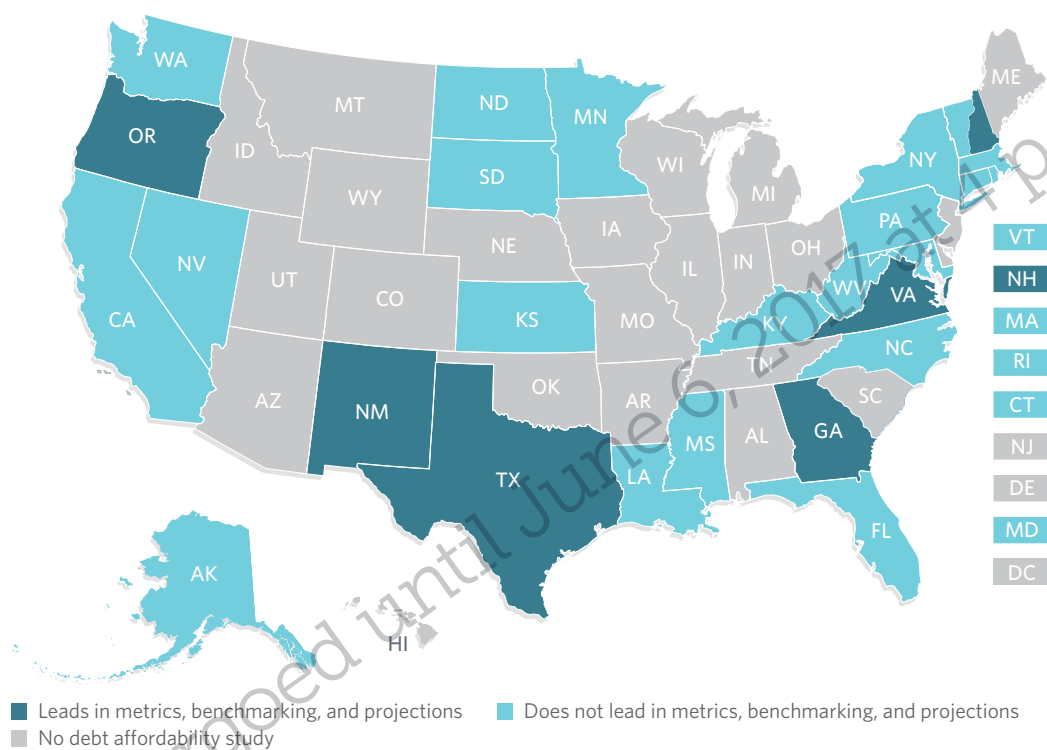
Metrics, benchmarking, and projections

Evaluate a state's debt affordability using metrics, benchmarks, and multiyear projections under several scenarios.

Nearly all of the 27 states with debt affordability studies base their analysis on metrics, benchmarks, and projections, yet only six lead in all three areas, as shown in Figure 6.

Figure 6

Few States Lead in Metrics, Benchmarking, and Projections



Note: Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis. For more information, see the text box on Page 2.

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Metrics help measure what the state owes and what it has available to pay it back. No single metric offers a complete measure of capacity relative to obligations. Therefore, the more used in a study, the more dynamic the analysis. Studies in 26 of the 27 states contain multiple metrics. Table 3 contains more information on what metrics states use in their studies. Common statistics include:

- **Debt service as a share of revenues.** This ratio refers to the borrowing costs as a percentage of total tax revenue the state collects and is the most commonly used metric. Twenty-two of the 24 states that produce studies include this measure to assess affordability.
- **Total debt per capita.** This statistic presents outstanding debt per resident, allowing for comparisons between states while accounting for population differences.
- **Total debt as a share of state personal income.** This ratio includes a broad measure of a state's economy or capacity to repay debt and can facilitate comparisons across states.

Certain metrics evaluate debt relative to actual capacity while others look at debt relative to potential capacity. Debt service as a share of revenues is an example of the former category as it uses expected revenues. The latter includes metrics such as debt as a share of state personal income, a statistic that quantifies a possible tax revenue base.

Contextualizing these figures with analysis gives a fuller understanding of how the metrics should be interpreted. Looking back at these metrics over previous years can also provide insight, because such trend analysis allows policymakers to understand whether their debt capacity is increasing or shrinking.³⁹

One metric is generally used to demarcate an amount above which debt cannot rise; this is a state's affordability metric. States vary in whether these gauges of affordability are legally binding or complement existing debt limits. Debt service as a share of revenue is the most common metric used, with 23 of the 27 states producing debt affordability studies using this measure. Louisiana's constitution caps debt service as a share of revenue at 6 percent.⁴⁰ Maryland sets a threshold for outstanding debt at no more than 4 percent of personal income and debt service at 8 percent of revenue.⁴¹

Policymakers must decide what constitutes affordable debt, as there are no accepted definitions or best practices to serve as guidelines. Affordability is relative to each state's political, economic, and fiscal conditions, and no one-size-fits-all definition applies. Likewise, states should decide which figure to use as their affordability metric. While many states favor debt service as a share of revenue, others choose different measures. Experts assert that no single metric is a panacea for the question of how to define affordability.⁴²

Table 3

States Often Use Multiple Metrics to Determine the Affordability of Their Debt

Commonly used debt metrics by state

State	Debt service/ revenue	Total debt/ state personal income	Debt per capita	Debt/state GDP	Other (listed)
Alaska	✓	✓			
California	✓	✓	✓	✓	
Connecticut	✓	✓	✓	✓	Debt service/budget
Florida	✓	✓	✓	✓	
Georgia	✓	✓	✓	✓	Debt/full valuation of all taxable property
Kansas	✓	✓	✓		
Kentucky	✓	✓	✓	✓	
Louisiana	✓		✓		
Maryland	✓	✓	✓	✓	
Massachusetts	✓	✓	✓	✓	
Minnesota		✓			Rate of retirement
Mississippi	✓	✓	✓		Debt/debt limit
Nevada					Debt/assessed valuation
New Hampshire	✓	✓	✓		
New Mexico		✓	✓		Transportation debt service/ pledged revenues
New York	✓	✓	✓		
North Carolina	✓	✓	✓	✓	Transportation fund debt service/total revenue, general fund debt service/ total revenue

Continued on next page

State	Debt service/ revenue	Total debt/ state personal income	Debt per capita	Debt/state GDP	Other (listed)
North Dakota		✓	✓		
Oregon	✓	✓	✓		Debt service/lottery revenue
Pennsylvania	✓	✓	✓		Debt/debt limit
Rhode Island	✓	✓			
South Dakota	✓	✓	✓	✓	
Texas	✓	✓	✓		Rate of retirement; total debt/budgeted general revenue
Vermont	✓	✓	✓	✓	Debt/operating revenue; rate of retirement; debt/ spending
Virginia	✓	✓	✓		
Washington	✓	✓	✓	✓	Debt service/gross fuel tax revenue; debt burden/ general spending; debt/ debt limit
West Virginia	✓	✓	✓		Debt service/assessed valuation

Note: Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis. For more information, see the text box on Page 2.

Source: Pew analysis of state debt affordability studies

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Benchmarking allows state officials to compare their debt levels to those in other states or to national averages and can help policymakers assess whether existing debt levels are reasonable. Table 4 shows that the most popular benchmarking comparison was to Moody's Medians, with officials also measuring their states against those with similar credit ratings and to top-rated AAA states. Kansas is the only state to compare itself solely to its neighboring states.

Table 4

States Rely on Ratings Agencies When Making Comparisons to Peers

Peer groups used by states to conduct benchmarking analyses

Most populous states	Comparably rated states	Moody's Medians	AAA-rated states	Neighboring states	Undefined peer group	U.S. mean	Census
California	Alaska	Georgia	Georgia	Kansas	Massachusetts	North Dakota	Connecticut
Florida	Georgia	Kansas	North Carolina		New York		
Texas	New Mexico	Kentucky	Oregon				
	North Carolina	Maryland	South Dakota				
	Washington	Mississippi	Vermont				
	West Virginia	New Hampshire	Virginia				
		Oregon					
		Rhode Island					
		Texas					
		Vermont					
		Virginia					
		Washington					
		West Virginia					

Source: Pew analysis of state debt affordability studies

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When selecting a group of peer states for comparison, it is important for policymakers to choose those with similar characteristics to sharpen the contrasts. States should select an appropriate group of states for benchmarking comparisons, as there may be important distinctions in a number of areas. These include, but are not limited to:

- Infrastructure needs and priorities.
- Economic and demographic data.
- Historical debt issuance trends.
- Revenue sources available for debt service.
- Governance and debt issuance structures.

Accounting for such state-specific factors can lead to a well-targeted group of states. Washington, for example, includes a mix of 15 peer states with variations in demographics and credit ratings. North Carolina compares itself only to other AAA-rated states, although it takes other Southern states into account only in its transportation-related analysis. Finally, as with metrics, a discussion of why it chose certain benchmarks clarifies why the comparisons are important and identifies potential limitations.

Projections that look at trends beyond one year are a key part of debt affordability studies because they allow states to develop repayment plans and understand trade-offs over time. They also increase transparency by providing clear data on the structure and timing of debt payments. Projections are often for three to five years ahead. Those beyond five years should be viewed with some caution, financial analysts said, because the longer the forecast, the less reliable it is. Pew has identified three projections commonly used in debt affordability studies: debt to capacity, future debt issuance, and future debt service.

- **Debt to capacity.** This type of projection captures the state's ability to repay its debt by comparing its debt liabilities to some measure of repayment, such as by using the debt service to revenues metric. Some states use projections to calculate future debt capacity, while others simply present the metrics themselves. North Carolina does both, projecting how much more it can safely borrow for the next five years, as well as debt ratios over the same time period.⁴³
- **Future issuance.** Projecting future debt issuance alongside capital improvement needs can give policymakers a sense of any gaps in financing. Maryland, for example, contrasts current and anticipated capital improvement requests with anticipated bond funding in order to illustrate the amount of capital improvements that must either be financed through other means, such as pay-go, or be delayed.⁴⁴
- **Debt service.** Illustrating both existing debt service on bonds already issued and future debt service can help policymakers determine how much money they will need for debt payment (and thus be unavailable for other purposes). The Texas study includes a chart showing total debt service on various bonding programs through 2053.⁴⁵

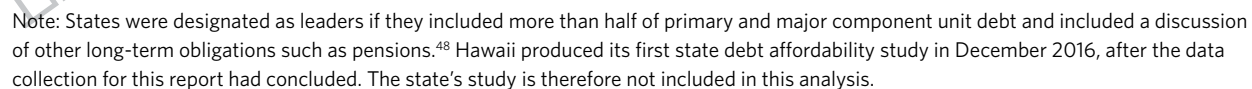
Each of these forward-looking analyses help policymakers understand future claims on revenue. All but six of the states producing debt affordability studies (Alaska, Kansas, Kentucky, Minnesota, Mississippi, and North Dakota) examine debt in all three ways.

The strongest projections include multiple scenarios with differing assumptions about debt issuance, borrowing costs, and revenue. This allows states to see how much capacity may be available if these variables differ from forecasts. New Hampshire, for example, considers the effects on debt affordability of flat revenue, increased

Scope

Figure 7

States assessed as leaders in scope



25

When deciding what debt to include in affordability studies, states should define a purpose for the study and include all debt that is relevant. The purpose should reflect the state's debt issuance structure.

Pew's research found that the goals of debt affordability studies and the scope of debt they consider are tightly linked. This underlines why taking this first step is critical: Establishing a clear purpose for the analysis helps to determine what debt to include. For the most complete picture of a state's liabilities, Pew recommends that officials include a broad range of debt types.

If a state wants to evaluate its capacity to issue debt as a function of certain revenue streams, it is prudent to include all debt types reliant on that revenue. Nevada's study, for example, seeks to determine the state's capacity to issue debt backed by the state's property tax. As a result, it analyzes only general obligation debt, the one type dependent on the tax.

The study's purpose should reflect a state's debt structure. If it issues little general obligation debt but has significant component unit or substate debt, it should consider making those liabilities part of the debt capacity analysis, depending on how closely it backs such debts. In decentralized states where the primary government may issue little debt compared with entities such as independent authorities, including only primary government borrowing in the debt capacity analysis "diminishes the value of the study," said Sugden of S&P.⁴⁹

Policymakers should take into account that the amount, structure, and composition of debt differ among states. Net tax-supported debt per capita ranged from \$193 in North Dakota to \$5,491 in Connecticut in 2014, for instance.⁵⁰ The legal structure differs too. Every state except Maryland and Vermont has laws or constitutional amendments that place limits on the sale of general obligation bonds.⁵¹ These laws, however, have a limited impact on a state's total debt because other entities, such as local governments or independent public authorities, also can issue publicly supported debt.⁵² Here, too, states vary widely. Arizona prohibits the sale of general obligation bonds by the state, leading to higher borrowing by other entities. For example, a Phoenix-based electric utility was the state's largest issuer in 2015.⁵³ In contrast, the Massachusetts state government is permitted to engage in general obligation borrowing, and therefore issues more debt than any other entity in the commonwealth.⁵⁴ States should recognize which entities issue debt and tailor their studies accordingly.

General obligation bonds, payable from the tax-supported general fund, are almost always included in a debt capacity analysis in states that sell them. But states vary in whether they believe a debt capacity analysis should include revenue bonds, special assessment bonds, state-backed debt of local governments, and component unit debt such as that of state agencies and authorities. Yet all of these are types of debt for which taxpayers could be responsible.

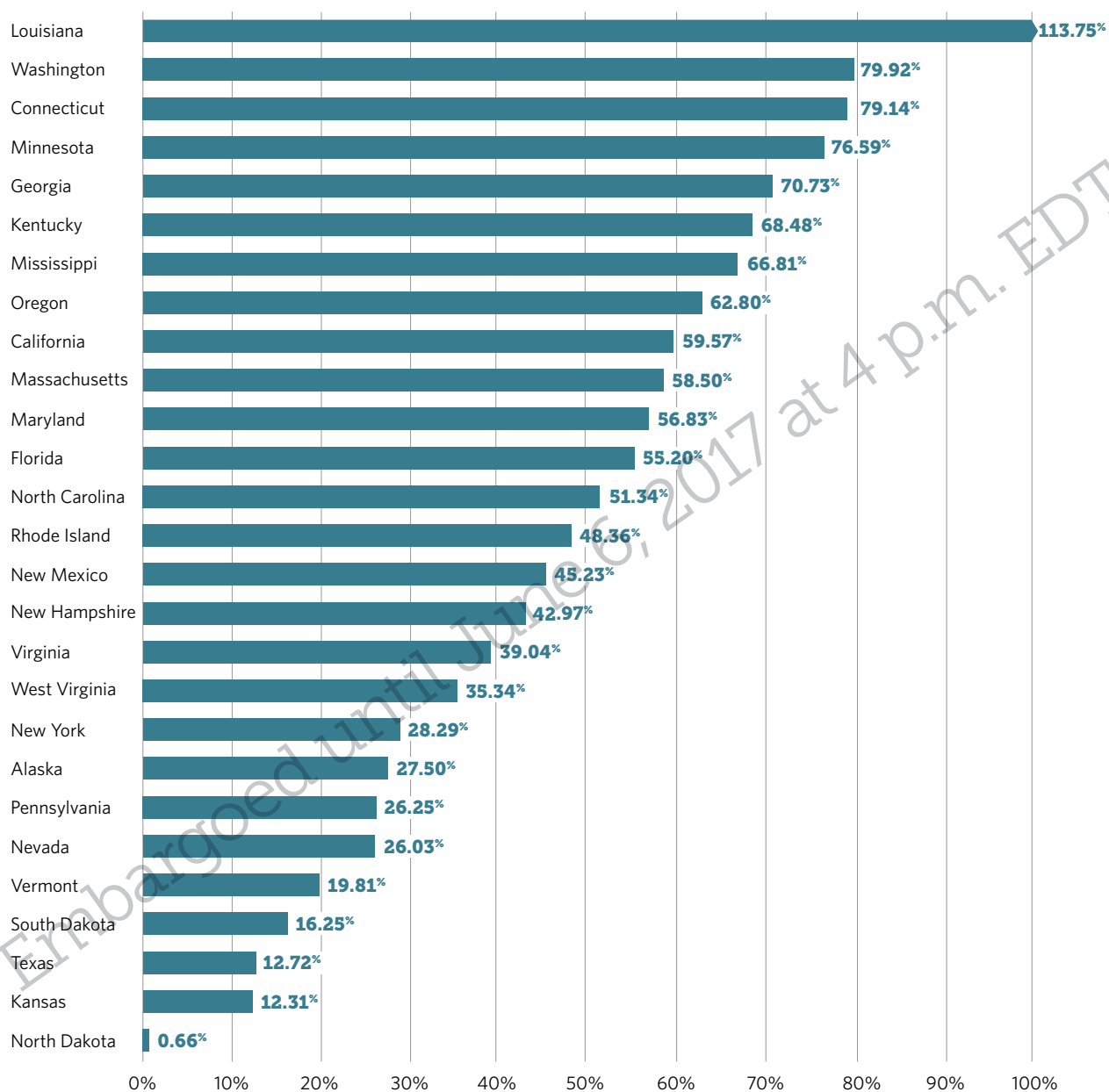
Credit rating agencies do not prescribe which liabilities should be included in debt affordability studies, but they make clear they prefer a broad, comprehensive definition to "capture all the different types of tax-backed debt that you issue," Sugden said.

To assess how much state debt is included in studies, Pew calculated the portion of all state and major component unit debt used to model future debt capacity (see Figure 8). On average, states include 48 percent of their debt. Only four states (Connecticut, Louisiana, Minnesota, and Washington) include 75 percent or more.

Figure 8

Many Studies Fail to Account for a Majority of State Debt

Percentage of total state debt included in analyses of debt capacity



Notes: Total state debt includes the long-term outstanding debt of the primary government and major component units. In states that do not distinguish between major and nonmajor component units, the debt of all such entities is included. Using this figure, Louisiana's study analyzes more than 100 percent of the state's primary government and major component unit debt because it includes debt outstanding from nonmajor component units.

Source: Pew analysis of state debt affordability studies, CAFRs, and component unit financial statements

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Collect data on component unit, agency and authority, and substate debt, even if they are not modeled in the debt affordability study's capacity analysis. Use these data, along with a judgment of the strength of state support, to decide on inclusion in the capacity analysis.

States vary in their treatment of liabilities that do not have an explicit legal claim on general funds. Component unit debt makes up the biggest part of Vermont's liabilities, but state officials do not include it in the debt capacity analysis. Virginia's debt affordability study examines general obligation bonds, agency and authority (component unit) debt, appropriation bonds, moral obligation bonds, capital leases, installment purchases, and revenue bonds.⁵⁵ Washington's study has expanded over time to encompass debt for which the state is not legally responsible but which belongs to component units and entities such as schools, colleges, and local governments.⁵⁶

"There is debt issued by state entities that is not state debt," noted Ellen Evans, Washington's deputy treasurer for debt management.⁵⁷ This includes bonds issued by universities that are backed by those institutions. "That is not our debt, but it is somewhat related to us since they are state universities."

Local government, or substate, debt is often omitted from debt affordability studies or is discussed in a general way. Only Kentucky and Washington add it to their debt capacity analyses, and even these states include only specific bonding programs, not all local borrowing. (In Kentucky's case, the local debt is appropriation-supported; locals in Washington can borrow through the state's certificates of participation program.) Some states, such as Oregon, discuss local government debt but do not incorporate it into their debt capacity analysis. Including this information, as Oregon does, can help states monitor all debt within their borders.

Because a state government may not be legally responsible for all liabilities within its borders, it may choose not to model these obligations in a debt affordability study. In these cases, the study should still collect data and report on these liabilities, even if they are not included in calculations of borrowing capacity.

The potential consequences of failing to monitor these liabilities were illustrated by events in Rhode Island and California. Rhode Island has made debt service payments since 2014 for bonds issued by Rhode Island Economic Development Corp., even though the state is not required by law to pay bondholders. The agency had sold the bonds in 2010 to benefit a video game company, 38 Studios, which subsequently filed for bankruptcy. Policymakers decided to make the payments anyway because they were worried that the credit rating agencies would lower the state's rating.⁵⁸ The bond sale has continued to plague Rhode Island. In March 2016, the Securities and Exchange Commission charged both the issuer and its underwriter, Wells Fargo, with securities fraud, alleging they failed to disclose the fact that 38 Studios was facing a funding shortfall at the time of the sale and needed additional cash.⁵⁹ In response to these challenges and other borrowing practices, Treasurer Seth Magaziner has urged that debt management policies take a broader view of the state's liabilities.⁶⁰ These policies include a more robust debt affordability study.⁶¹

In California, an executive at a San Francisco economic development authority embezzled \$3.9 million of the agency's bond proceeds.⁶² In response to this crime, state lawmakers determined that greater oversight of borrowing was needed. In 2016, Governor Jerry Brown (D) signed a law requiring state and local bond issuers to report to a state agency that they are current with their payments and that proceeds are being used for voter-approved purposes.⁶³ According to S&P, this oversight could improve the ratings that state issuers receive since it improves financial transparency.⁶⁴

Include a discussion of other long-term liabilities.

Some states include unfunded public pension and retiree health care liabilities in their debt affordability studies. Unlike debt, public pensions and retiree health care are often considered “soft” liabilities. The difference lies in the nature of repayment: While bonded debt carries a promise to pay a specified principal on a set future date at an agreed-upon interest rate, the amounts for the other liabilities fluctuate and do not adhere to a fixed schedule.⁶⁵

Despite these differences, pensions, retiree health care liabilities, and debt all represent a claim on future revenue and considering them can inform decisions on debt capacity. Including a straightforward summary of other long-term liabilities in a separate section of a debt affordability study provides contextual information about the impact these obligations have, or may have, on debt capacity. (Pension obligation bonds, which some states issue to pay the unfunded portion of their pension liability, are considered as state debt and should be included in a debt capacity analysis.)

Pension liabilities in particular have become one of the biggest factors influencing state credit ratings. A state’s credit rating affects the cost of its bond issuances and the final amount any bond will cost. When credit rating analysts downgraded Illinois and New Jersey in 2016, they cited, among other things, those states’ failure to acknowledge and plan for unfunded public pension liabilities. Analysts told Pew that although pensions probably do not belong in the debt capacity analysis section of a debt affordability study, including them in a separate section is prudent. They noted it helps provide a complete picture by explaining how all of a state’s liabilities play into a budget.

Of the 27 states with debt affordability studies, only 14 include a discussion on these other liabilities. One of them, Florida, compares itself against other states with high pension liabilities. Its study compares metrics, including adjusted net pension liabilities as a percentage of revenue and personal income, but does not add pension liabilities to its debt capacity analysis. No states incorporate other long-term liabilities into calculations of debt capacity.

An emerging category of state debt is public-private partnerships, in which the state shares the borrowing cost of projects with the private sector, most commonly for transportation and higher education. Even though these partnerships do not go through the usual approval process for general obligation debt issuances, they do result in short- and long-term liabilities. Due to the similarities to bonded debt, Florida has taken the uncommon step of including these liabilities—\$2.2 billion in outstanding debt as of June 2014—in the state’s debt affordability analysis.⁶⁶ Taking another approach, Maryland does not include these liabilities in its analysis but does discuss them.⁶⁷

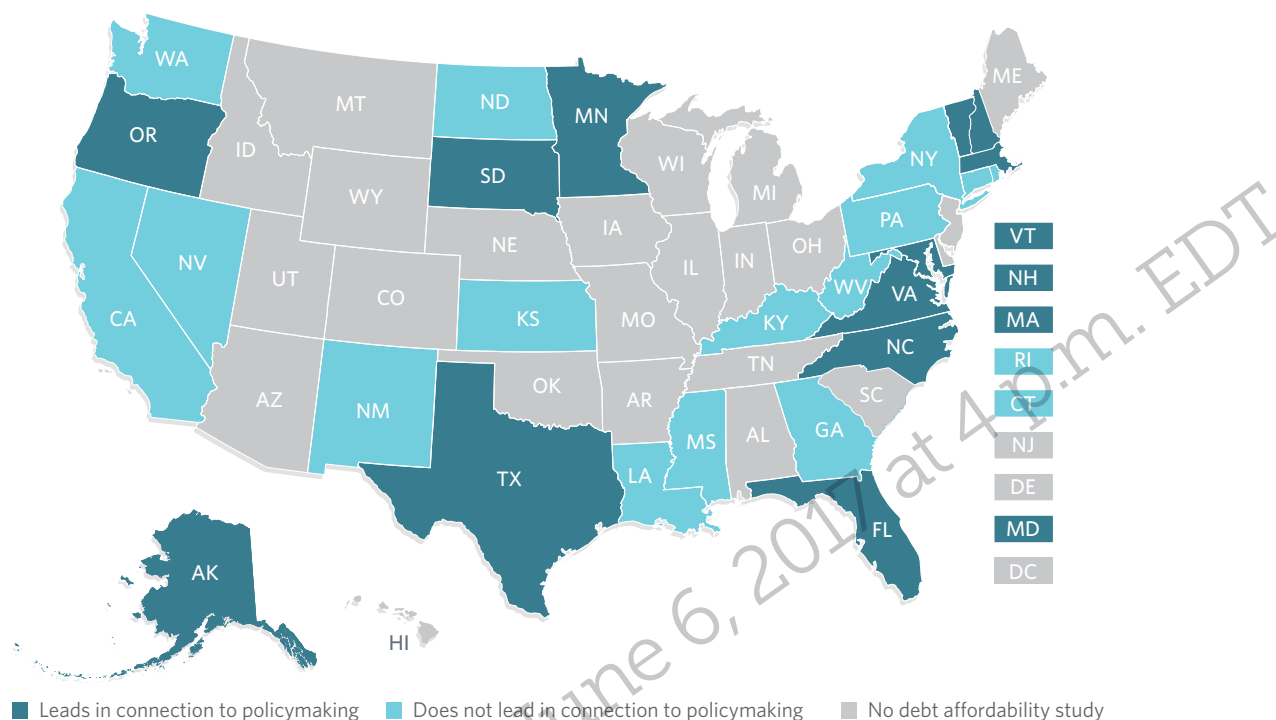
Translating data and analysis into sound policymaking

No matter its quality, a debt affordability study is useful to policymakers only if it is written in a way that connects to the policymaking process. Pew’s analysis found that only about half the debt affordability studies are clearly connected to policymaking (see Figure 9).

Figure 9

Many States Could More Tightly Link Their Studies to Policymaking

States leading in connection to policymaking



Note: A state leads in the connection to policy if the study is required by law and contains a clear statement of remaining debt capacity. Hawaii produced its first state debt affordability study in December 2016, after the data collection for this report had concluded. The state's study is therefore not included in this analysis.

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Require that debt affordability studies be conducted and make clear their purpose and use, and who will prepare them. Spell out a timetable so the report is released as the governor is putting together capital and operating budget proposals to submit to the legislature.

By mandating an affordability study—by statute or some other formal means—policymakers demonstrate that they take debt management seriously. Sixteen of the 27 states with debt studies have passed laws spelling out the purpose of the debt analysis, who prepares it, what it should include, and how often the study should come out. A legal mandate also signals to credit rating agencies and bond investors the priority state officials give to debt management.

Requiring regular publication of a debt affordability study ensures that it becomes a valuable part of the policymaking toolkit. The study's projections and metrics rely on data such as revenue forecasts, which fluctuate year to year. Publishing regularly, using updated information, gives policymakers a timely and accurate measure of their state's debt capacity. This allows legislators to tie current information from the study to the capital planning and budgeting process, an annual event in most states. Ensuring regular publication—and thereby guaranteeing access to the most current debt statistics—puts policymakers in a position of strength when determining how much debt to budget for. In addition to a regular schedule, tying a debt affordability study

to a needs assessment of capital projects allows policymakers to see how much is available relative to how much is required.

Florida's statute requires the Division of Bond Finance to prepare an annual report listing, among other things, a 10-year projection of revenue and debt service and capacity to borrow. The rationale for the analysis is clear in the law: to give the Legislature a framework "to evaluate and establish priorities for bills that propose the authorization of additional state debt during the next budget year."⁶⁸

Maryland's law is specific about the timetable, purpose, and contents of the debt affordability study. It directs the committee that manages state debt to "review on a continuing basis the size and condition of the state tax-supported debt as well as other debt of [universities and colleges]." The law also requires the committee to submit the report to the governor and General Assembly on or before Oct. 1 each year so lawmakers can consider in their budget discussions the committee's estimate of the total amount of new state debt that can be authorized.⁶⁹

By legally mandating a debt affordability study, a state can establish a fixed schedule for the report's release, ideally timing it to coincide with the state budget and capital planning process, as Maryland did. Minnesota publishes its report in February and November, on the same schedule as the state's economic and budget forecasts. New York also updates its debt affordability study twice a year, first with the governor's proposed capital spending plan and again after lawmakers approve the final budget.

In all but three of the 27 states producing a debt affordability study as defined by Pew, the report is published at least once a year. The exceptions are Nevada, North Dakota, and Kentucky, which produce reports every other year to coincide with biennial budget cycles. In Nevada, the state continually updates its model as officials authorize additional debt and when current revenue totals are available, while in Kentucky, the model is updated as the proposed budget changes.

Include a clear statement of remaining debt capacity.

Providing such a statement can help to guide policymakers' decisions. This is usually presented as a dollar figure that the state can afford to issue while keeping its debt levels under any caps.

Each of the nine leading states includes a pronouncement of remaining capacity, while just seven of the 19 other states with debt affordability studies do (see Appendix C). Including such a figure—many states place it near the beginning of the study or in a first-page summary—is a way to communicate a sometimes complex subject to policymakers whose expertise may not include debt or finance.

North Carolina's study deftly includes the statement on one of the first pages. It reads: "The model results show that the State's General Fund has debt capacity of nearly \$700 million in each of the next 10 years. The ratio of debt service to revenues peaks at 3.66% in the current fiscal year, notably below the 4.00% target."⁷⁰ A few pages later, the study lists the exact amounts available for each of those years. (See Figure 4 for another example of how states implement this technique.)

Pick the right author for the study to ensure the document is actively used.

States should ensure a debt affordability study is published by a trusted body with relevance and familiarity among policymakers. Of states with debt affordability studies, Pew found the two most common entities that produce it are a commission or committee (nine states) and the state treasurer (seven states, in six of which

the treasurer is elected). Others are the governor's budget office (six states), the revenue agency (two states), a legislative office (one state), an office of administrative services (one state), and an independent authority (one state). (See Figure 10 for the range of agencies or offices charged with producing a debt affordability study.)

Choosing the right entity to create the study and offer recommendations requires careful deliberation. Decisions to issue debt combine the values of policymakers and their constituents, the need for capital borrowing, the political philosophies of elected officials, and the empirical information available.⁷¹ "Everybody has their own point of view of what's the highest and best use for public dollars," said Lockwood-McCall of Oregon. The debt affordability study is "trying to get the conversation going in the right direction."⁷²

States should pay particular attention to where an affordability study is published for two reasons. First, debt can sometimes become a political issue. Giving a respected office the responsibility of publishing the study can alleviate potential obstacles. Second, interviews revealed that in some states, it is not widely read. Indeed, some lawmakers don't know it exists. Debt can be a complex subject, so ensuring that the study does not collect dust on a shelf is especially important.

In considering which office will publish the debt affordability study, states should look for certain qualities. The office should have experience with financial analysis, an understanding of the bond market, and easy access to the state's data on outstanding debt, a respected, nonpartisan reputation, and good standing with elected officials and other policymakers.

Legend:

- Budget (executive)
- Treasurer
- Commission/board/task force
- Revenue (finance/tax)
- No debt affordability study
- Other

States listed in legend (from top to bottom): VT, NH, MA, RI, CT, NJ, DE, MD, DC.

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Another model Pew found to be effective in some cases is that of an independent committee or commission whose members include elected officials. This process can work in connecting the findings of a debt affordability study with policymaking. By having lawmakers on the panel, especially those in leadership positions, there is built-in credence for recommendations.

In Georgia, where the Georgia State Financing and Investment Commission produces the state's debt affordability study, the governor, lieutenant governor, and House speaker are on the panel, which recommends how much to borrow up to the maximum 7 percent ratio of debt service to treasury receipts. The governor uses the commission's recommendation when proposing the capital budget, leaving debt capacity for the General Assembly to add projects according to its priorities. According to the Governor's Office of Planning and Budget, this approach helps constrain debt spending because the executive and legislative branches have already agreed to adhere to certain debt levels ahead of the annual appropriations process.⁷⁶

In Maryland, the staff of the seven-member Capital Debt Affordability Committee submits several options for debt issuance to the governor and legislature. Panel members, who include the state treasurer as chair and a mix of lawmakers and state officials, recommend an amount of new debt to be authorized for the coming fiscal year and four years thereafter to aid in capital planning. As in Georgia, the committee's recommendations generally are heeded by the legislature and governor. (See Table 5 for an illustration of two approaches to debt commissions.)

Table 5

Debt Commissions Bring Stakeholders Together to Make Borrowing Decisions

Examples of debt commission/committee members in 2 states

Georgia	Maryland
Governor	Comptroller
Lieutenant governor	Secretary of Department of Budget and Management
House speaker	Secretary of Department of Transportation
State auditor	Member of Senate Budget and Taxation Committee (nonvoting)
Attorney general	Member of House Appropriations Committee (nonvoting)
Commissioner of Department of Agriculture	Governor-appointed public member
State treasurer	State treasurer

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Whatever approach is taken, it is important for the author of the debt affordability study to have expertise spanning several years. Governors and legislators are regularly up for re-election and in some states may be bound by limits that cap their terms. The inherent turnover in government can impede elected officials from developing expertise on complicated state debt matters.

Finally, in selecting who produces the study, state officials should emphasize the need for the report language to be written in a way that policymakers and taxpayers alike can understand. Lee McElhannon, Georgia's bond

finance director, who produces a 30-page report, advises: “To get somebody to actually read the document, the simpler and more concise you can make it, and the quicker you get to the point, the better. We try to keep it to a reasonable length. We can make as long a document as we want, but I don't know that anybody would read it if it was much longer than we have it now.”⁷⁷

Conclusion

In many states, issuing debt is necessary to access the large amount of money needed to build the roads, bridges, ports, schools, and other infrastructure that contribute to a vibrant economy and fiscally healthy state and local governments. Yet many policymakers are unsure how much debt the government can afford to issue, which may hold the state back from realizing its full potential, or lead it to borrow more than it can afford.

Though attitudes toward borrowing vary, states can benefit from approving clear debt policies and practices, especially a debt affordability study. Such an objective analysis assures policymakers and taxpayers that the state has a systematic way to collect, evaluate, and monitor its debt liabilities before lawmakers make decisions about borrowing. The study is for informational purposes, neither encouraging nor discouraging new debt issuances.

Twenty-seven states have debt affordability studies of varying quality. Many of those analyses could be improved, and states that do not have affordability studies may want to consider instituting them to better inform debt policy decisions.

Methodology

Document search

This report identifies which states produce debt affordability studies in an effort to manage their debt portfolio. Pew researchers examined how thorough state studies are and whether they are effective in influencing debt issuance and management policy. Although this report touches briefly on substate debt, it concentrated on evaluating studies' inclusion of primary government and major component unit debt.

Pew began by comprehensively scanning the websites of relevant state agencies, including treasurer, auditor, budget, comptroller or controller, legislative audit, legislative research, bond commission or bond review board, and finance.

In the initial data collection, researchers identified 167 documents published between 2010 and October 2015 that pertain to debt affordability. Pew ultimately decided to use only documents reporting on the fiscal year ending June 30, 2014, the most recent year for which complete data were available from all states.

Next, researchers reviewed the documents to determine which met Pew's definition of a debt affordability study. The documents needed to include a written analysis of the affordability of the state's debt, contain metrics assessing the amount of debt in relation to the state's ability to pay, project future debt outstanding and/or debt service more than one year from the study's publication date, and be produced regularly. This resulted in 27 documents judged as debt affordability studies. It excluded CAFRs and continuing disclosure documents required by security regulations.

The research team was also interested in other documents that included elements of a debt affordability study but did not meet this definition. Pew refers to these documents as debt reports. For the purposes of this

analysis, Pew defined a debt report as a document that included at least one of the criteria required to be a debt affordability study. Sixteen states met that standard.

Pew supplemented the internet search by interviewing finance officials in every state. Team members conducted 62 interviews with more than 70 individuals. The officials confirmed the nature of the documents collected and in some cases provided documents not available on state websites. These interviews also provided further information on the role that debt affordability studies play in the policymaking process. For states without debt affordability studies, interviewers asked if there were other documents informing a state's debt policies. Researchers used a snowball sample, beginning by interviewing the office responsible for the relevant documents and then speaking with additional state officials identified through interviewees.

Researchers also reviewed literature on debt affordability. This helped clarify what pieces were essential to a debt affordability study and gave context to how others had previously defined debt affordability and debt affordability studies. The following works were particularly useful:

- A 2013 report by Jennifer Weiner at the New England Public Policy Center helped spur Pew's thinking on debt affordability. The study asked why debt affordability mattered, offered a definition, and surveyed how some states measure debt affordability.⁷⁸
- A 2013 policy brief, also by Weiner, provided a nuts and bolts introduction on what made up a debt affordability study and how those different aspects served it.⁷⁹
- W. Bartley Hildreth and Gerald J. Miller (2007) posited some parameters for what constitutes a debt affordability study. The work contained their own assessment of how many states produced debt affordability studies (they counted 12) and identified some issues states experienced with certain aspects of debt affordability studies.⁸⁰
- Kenneth A. Kriz and Qiushi Wang (2013) also filled in some of what should be included in a debt affordability study, assessing some of the benefits and drawbacks to traditional debt capacity models. Those models espoused three ways debt capacity could be analyzed—by comparing debt levels to an established debt ceiling, by benchmarking selected ratios, and by using a linear regression statistical technique.⁸¹
- A survey of state debt management policies in states across the country done by Merl M. Hackbart and James Leigland (1990) posed a series of questions to state officials with debt management duties. These included: What are the principal constraints governing debt policy? What kinds of debt are issued by which state governments? What governmental bodies oversee debt issuances?⁸²

Defining debt affordability studies

Pew's evaluation was a two-part system. The first was to identify which documents met the criteria to be considered debt affordability studies. The second was to evaluate those debt affordability studies based on a set of five categories.

In the first part of its assessment, Pew found that 27 states produce a debt affordability study. These studies were defined as documents that:

- Are regularly produced (one-time or ad hoc reports were excluded).
- Use metrics (such as debt per capita) to analyze a state's debt.
- Project debt service outstanding, future debt issuances, or debt relative to capacity beyond the current fiscal year.

- Analyze state debt through at least one of the following:
 - A clear statement of remaining debt capacity.
 - Recommendations regarding debt issuance.
 - A written comment on a metric analysis.
 - A written comment on an analysis comparing, or benchmarking, a state's debt with that of other states.

Assessment

The second part of Pew's evaluation was to assess the 27 states producing debt affordability studies in order to determine which were leading the way. The documents produced by these states meeting Pew's initial criteria were assessed according to their performance in five categories: projections, benchmarking, metrics, mechanics, and scope. Each of these assessment categories consisted of a series of smaller actions. There were four actions within projections, three within benchmarking, and two each within metrics, mechanics, and scope.

States with debt affordability studies were assessed on the following categories:

- **Projections.** States whose studies projected multiple debt scenarios (using either varying debt issuance or revenue possibilities), projected three or more years from the study's publication date, and projected debt capacity, debt outstanding or debt issuance, and debt service outstanding were considered as leading on projections.
- **Benchmarking.** States that benchmarked to multiple metrics and discussed the appropriateness of their benchmarking group or incorporated benchmarking results into a discussion were considered as leading on benchmarking.
- **Metrics.** States that used multiple metrics and incorporated those metrics into a discussion were leading on metrics.
- **Mechanics.** States whose studies had a clear statement of capacity and a legal mandate to produce the study were leading on mechanics.
- **Scope.** States where 50 percent or more of CAFR-reported and major component unit financial statement-reported debt was captured in the study and whose study discussed other long-term obligations were leading on scope.

States with a study that led in four or five of the assessment criteria were judged to be overall leaders. Table 6 summarizes the assessment criteria and evaluation process.

Table 6

Debt Affordability Study Assessment Criteria

	Projections	Benchmarking	Metrics	Mechanics	Scope
<i>Leading component 1</i>	Includes multiple revenue scenarios	Includes multiple benchmarking metrics	Presents multiple metrics	Contains a clear statement of capacity	Share of debt captured is 50% or higher
<i>Leading component 2</i>	Multiple debt issuance scenarios	Discusses benchmarking appropriateness	Discusses metrics results	Legal mandate to produce the study	Other long-term obligations discussed
<i>Leading component 3</i>	Projects at least 3 years	Has benchmarking results discussion			
<i>Leading component 4</i>	Projects debt capacity, debt outstanding or debt issuance, and debt service				
A state leads if it:	Includes either component 1 or 2 and both 3 and 4	Includes component 1 and either components 2 or 3	Includes both components	Includes both components	Includes both components

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To see how each state producing a study scored on this evaluation, see Appendix C.

Appendix A: State debt limits

State	Type of debt limit	Source	Description of general obligation debt limit	Citation
Alabama	Constitutional amendment	Constitution	Voter approval is required for issuance; general obligation debt may not exceed \$750 million.	Constitution of Alabama of 1901, amendment 880
Alaska	Referendum and/or supermajority	Constitution	Debt may be issued only for capital improvements or providing housing loans for veterans. Requires voter approval.	Alaska Constitution, Article IX, Section 9, Page 157
Arizona	Prohibition	Constitution	The state may not exceed \$350,000 in outstanding general obligation bonds, an amount low enough to effectively constitute a prohibition.	Arizona Constitution, Article 9, Section 5
Arkansas	Referendum and/or supermajority	Constitution	Voter approval is required for issuance.	Constitution of the State of Arkansas of 1874, Amendment 20, Pages 84-85
California	Referendum and/or supermajority	Constitution	General obligation debt exceeding \$300,000 outstanding requires voter approval.	California Constitution, Article 16, Section 1
Colorado	Prohibition	Constitution	The state may not exceed \$100,000 in outstanding general obligation bonds, an amount low enough to effectively constitute a prohibition.	Colorado Constitution, Article XI, Sections 3 and 5
Connecticut	Metric	Statute	General obligation debt outstanding and authorized is limited to 1.6 times total estimated general fund tax receipts.	Connecticut General Statutes, Chapter 32, Section 3-21
Delaware	Both referendum and/or supermajority and metric	Constitution and statute	Approval of general obligation issuance requires a three-quarters vote of the Legislature. Additionally, new tax-supported debt may not exceed 5% of the estimated net general fund revenue for that year and may not be issued if the aggregate maximum annual payments for outstanding debt exceeds 15% of the estimated general fund revenue plus transportation trust fund revenue for the fiscal year following the fiscal year in which the debt is incurred.	Delaware Constitution, Article VIII, Section 4, and Delaware Code Title 29, Chapter 74, Section 7422
Florida	Both referendum and/or supermajority and metric	Constitution and statute	General obligation (GO) bonds may be sold only through bonding programs authorized by constitutional amendment. Debt service on state tax-supported debt, including GO bonds, may not exceed 6% of revenues available to pay such debt without a legislative determination that such debt is in the best interest of the state. The Legislature may not authorize issuance if doing so would cause the debt service to revenues ratio to exceed 7%, except in the case of a state emergency.	Florida Constitution, Article VII, Section 11, Part A; and Florida Statutes, Title XIV, 215.98, Section 1

Continued on next page

State	Type of debt limit	Source	Description of general obligation debt limit	Citation
Georgia	Metric	Constitution	Fiscal year debt service requirements for total outstanding debt (general obligation and guaranteed revenue) may not exceed 10% of the prior fiscal year's total state treasury receipts.	Georgia Constitution, Article VII, Section IV, Paragraph I (c, d, e) and Paragraph II (b)
Hawaii	Metric	Constitution	General obligation bonds are limited. The total amount of principal and interest payable may not exceed 18.5% of the average of the general fund revenues in the three fiscal years preceding issuance.	Hawaii Constitution, Article VII, Section 13
Idaho	Referendum and/or supermajority	Constitution	Voter approval is required for issuance.	Idaho Constitution, Article VIII, Section 1
Illinois	Both referendum and/or supermajority and metric	Constitution and statute	Approval from three-fifths of the legislature or a majority of voters is required for issuance. Additionally, general obligation debt may not be issued if debt service on all outstanding bonds in the next fiscal year would exceed 7% of the preceding fiscal year's aggregate appropriations from general funds.	Illinois Constitution, Article IX, Section 9 and 30, Illinois Compiled Statutes 330/2.5
Indiana	Prohibition	Constitution	General obligation debt is not permitted.	Indiana Constitution, Article 10, Section 5
Iowa	Referendum and/or supermajority	Constitution	Voter approval is required for issuance.	Iowa Constitution, Article VII, Section 1-5
Kansas	Referendum and/or supermajority	Constitution	General obligation debt is limited to \$1 million unless an issuance is approved by voters and the Legislature.	Kansas Constitution, Article XI, Section 6-9
Kentucky	Referendum and/or supermajority	Constitution	General obligation debt is limited to \$500,000 unless an issuance is approved by voters.	Kentucky Constitution, Section 49-50, 176
Louisiana	Both referendum and/or supermajority and metric	Constitution and statute	General obligation debt requires approval from two-thirds of the Legislature. Net tax-supported debt is limited to 6% of estimated revenues. Additionally, the annual debt service requirement for general obligation debt may not exceed 10% of the average annual revenues of the Bond Security and Redemption Fund for the last three fiscal years completed prior to the issuance. Total authorized bonds cannot exceed two times the average annual revenues for this fund over the same time period.	Louisiana Constitution, Article VII, Section 6-7, Louisiana Statute 39:1402, and Louisiana Statute 30:1365
Maine	Referendum and/or supermajority	Constitution	Issuance requires approval from both two-thirds of the Legislature and a majority of voters.	Maine Constitution, Article IX, Section 14
Maryland	No limitation		No limitation.	

Continued on next page

State	Type of debt limit	Source	Description of general obligation debt limit	Citation
Massachusetts	Both referendum and/or supermajority and metric	Constitution	General obligation debt is limited to \$17 million for fiscal year starting July 1, 2011, and thereafter the general obligation limit is 1.05 times the limit established for the previous fiscal year. General obligation debt requires authorization by law through approval of two-thirds of the Legislature.	Massachusetts General Laws, Part I, Title III, Chapter 29, Section 60A
Michigan	Referendum and/or supermajority	Constitution	Issuance requires approval from both two-thirds of the Legislature and a majority of voters.	Michigan Constitution, Article IX, Sections 14-16
Minnesota	Referendum and/or supermajority	Constitution	Issuance requires approval from three-fifths of the Legislature.	Minnesota Constitution, Article XI, Section 5
Mississippi	Metric	Constitution	Outstanding general obligation may not exceed 1.5 times the sum of all the revenue collected during any one of the preceding four fiscal years, whichever year might be higher.	Mississippi Constitution, Article 4, Section 115
Missouri	Referendum and/or supermajority	Constitution	Voter approval is required for debt in excess of \$1 million.	Missouri Constitution, Article III, Section 37
Montana	Referendum and/or supermajority	Constitution	Issuance of GO bonds may be authorized by the Legislature, requiring approval from two-thirds of each house. Alternatively, issuance of GO bonds may be authorized by voter initiative, requiring approval of the majority of voters.	Montana Constitution, Article VIII, Section 8
Nebraska	Prohibition	Constitution	General obligation debt is limited to \$100,000, an amount low enough to effectively constitute a prohibition.	Nebraska Constitution, Article XIII, Section 1
Nevada	Metric	Constitution	General obligation debt is limited to 2% of the assessed value of property in the state.	Nevada Constitution, Article IX, Section 3
New Hampshire	Metric	Statute	Debt service is limited to 10% of unrestricted general fund revenues for the previous fiscal year, and exceeding that limit requires approval from three-fifths of the legislature.	New Hampshire Title I, Section 6-C:2
New Jersey	Both referendum and/or supermajority and metric	Constitution	General obligation debt is limited to 1% of the total amount appropriated by the general appropriation law for that fiscal year, and exceeding the limit must be authorized by law for a specific project and receive voter approval for issuance.	New Jersey Constitution, Article VIII, Section II, paragraph 3
New Mexico	Both referendum and/or supermajority and metric	Constitution	General obligation debt is limited to 1% of the assessed valuation of property subject to taxation in the state, and requires voter approval for issuance.	New Mexico Constitution, Article IX, Section 8

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State	Type of debt limit	Source	Description of general obligation debt limit	Citation
New York	Both referendum and/or supermajority and metric	Constitution and statute	Issuance requires approval from three-fifths of the legislature. The total amount is limited to 4% of state personal income, and debt service is limited to 5% of revenues.	New York State Constitution, Article III, Section 23; Article VII, Sections 9-1, 14, 18-19; Article XVIII, Section 3; and New York State Finance Law § 67-b
North Carolina	Metric-based with referendum to exceed	Constitution	Voter approval is required for issuance unless the amount issued is equal to or less than two-thirds of the general obligation debt retired during the previous biennium.	Constitution of North Carolina, Article 5, Section 3
North Dakota	Metric	Constitution	Up to \$10 million of general obligation debt may be issued if secured by state property or enterprises, or general obligation debt of no limit may be issued as long as it is secured by a first mortgage upon real estate in amounts not to exceed 65% of its value.	Constitution of North Dakota, Article X, Sections 13-14
Ohio	Constitutional amendment	Constitution	Debt service on direct obligations of the state, which includes general obligation and other bonds backed by the state's general revenue fund (GRF), may not exceed 5% of total GRF revenues and net state lottery proceeds.	Ohio Constitution, Article VIII, Sections 1-17
Oklahoma	Both referendum and/or supermajority and metric	Constitution and statute	Issuance requires authorization by law for a specific project and voter approval. Debt service on outstanding debt, including general obligations, is limited to 5% of the average of the general fund revenue for the preceding five fiscal years. Exceeding that limit requires approval from two-thirds of the Legislature.	Constitution of the State of Oklahoma, Article X, Sections 23-25, and Oklahoma Statutes Section 62-34.200
Oregon	Metric	Constitution	General obligation debt is limited to \$50,000 with an exception for debt to build and maintain roads, which may not exceed 1% of the assessed value of property in the state.	Oregon Constitution, Article XI, Section 7
Pennsylvania	Metric-based with referendum to exceed	Constitution	Voter approval is required for issuance except for itemized capital projects. Net debt outstanding is limited to 1.75 times the average annual tax revenues in the previous five fiscal years.	Pennsylvania Constitution, Article VIII, Section 7
Rhode Island	Referendum and/or supermajority	Constitution	General obligation debt is limited to \$50,000, but that limit may be exceeded with voter approval.	Constitution of Rhode Island, Article VI, Sections 16-17
South Carolina	Both referendum and/or supermajority and metric	Constitution	Debt service on general obligation bonds is limited to 5% of general revenues for the preceding fiscal year (excluding highway bonds, state institution bonds, and tax and bond anticipation notes) and two-thirds Legislature or voter approval is required for general obligation issuance.	Constitution of South Carolina, Article 10, Section 13

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State	Type of debt limit	Source	Description of general obligation debt limit	Citation
South Dakota	Both referendum and/or supermajority and metric	Constitution	General obligation debt may not exceed \$100,000 unless issued for the purpose of economic development. Such debt may not exceed 0.5% of the assessed valuation of the property of the state. Two-thirds approval of the Legislature is required for issuance.	Constitution of South Dakota, Article XIII, Sections 1 and 2
Tennessee	Metric	Constitution and statute	Debt service in the current or any future fiscal year is limited to 10% of total state tax revenue allocated to the general fund, debt service fund, and highway fund for the preceding fiscal year.	Tennessee Code 9-9-105
Texas	Both referendum and/or supermajority and metric	Constitution	Annual debt service in any fiscal year on state debt payable from the general revenue fund is limited to 5% of the average amount of unrestricted general revenue fund revenues from the three preceding fiscal years. General obligation debt must be passed by a two-thirds vote of both houses of the Legislature and a majority of voters.	Texas Constitution, Article III, Sections 49 and 49-j
Utah	Metric	Constitution and statute	General obligation debt is limited to 1.5% of the assessed value of taxable property in the state. The state also sets a limit on appropriations, and outstanding general obligation debt may not exceed 45% of the maximum allowable appropriations amount. This limitation may be exceeded with two-thirds approval by the Legislature.	Utah Constitution, Article XIV, Sections 1-2; Article XIII, Section 5; and Utah Code Title 63J, Chapter 3, Section 204 and 402
Vermont	No limitation		No limitation.	
Virginia	Both referendum and/or supermajority and metric	Constitution	General obligation debt for nonrevenue-producing capital projects is limited to 25% of an amount equal to 1.15 times the average annual taxes on income and retail sales for the three preceding fiscal years. This general obligation debt requires approval of the majority of members of each house of the legislature and the majority of the electorate.	Constitution of Virginia, Article X, Section 9
Washington	Both referendum and/or supermajority and metric	Constitution and statute	Debt service payments are limited to 8.5% (8.25% from July 1, 2016, through June 30, 2034) of the mean of general state revenues for the six preceding fiscal years. General obligation debt requires approval from three-fifths of the Legislature and may also require voter approval.	Washington State Constitution, Article VIII, Section 1
West Virginia	Constitutional amendment	Constitution	General obligation debt, beyond short-term and defensive purposes, is only permitted with a constitutional amendment, which requires two-thirds majority from the Legislature and ratification by a majority of the electorate.	Constitution of West Virginia, Article X, Section 10-4

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State	Type of debt limit	Source	Description of general obligation debt limit	Citation
Wisconsin	Metric	Constitution and statute	Aggregate public debt issued in any calendar year should be less than or equal to 0.75% of the aggregate value of all taxable property in the state, or 5% of the aggregate value of all taxable property in the state should be less than the sum of aggregated public debt outstanding on Jan. 1, after subtracting the amount of sinking funds on hand.	Wisconsin Constitution, Article VIII, Sections 5, 7, and Wisconsin Statute Section 18.05
Wyoming	Metric-based with referendum to exceed	Constitution	General obligation debt is limited to 1% of the assessed value of taxable property in the state. This limit can be exceeded with voter approval for issuance, and debt for "internal improvements" requires approval from two-thirds of the voters for issuance.	Wyoming Constitution, Article 16, Sections 1-2, 6, 9-11

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Appendix B: State debt reporting

Although not all states produce debt affordability studies, most produce at least one report on the state's debt annually. Often, these documents contain some, but not all, of the debt affordability study criteria. The table below lists the documents produced by states and whether they meet the criteria. Some states produce multiple documents. For those states, the document meeting the most criteria is shown here. If a state produces multiple documents that meet the same number of study criteria, all are listed below.

State	Document	Debt affordability study	Produced regularly	Includes projections	Contains metrics	Contains analysis
Alabama	No documents found					
Alaska	January 2015 State of Alaska State Bond Committee Debt Management Policies and State Debt Capacity	✓	✓	✓	✓	✓
Arizona	JLBC Staff Report - FY 2013 Debt and Lease-Purchase Financing Report		✓	✓	✓	
	FY 2013/14 Report of Bonded Indebtedness		✓		✓	✓
Arkansas	No documents found					
California	State of California Debt Affordability Report: October 2014	✓	✓	✓	✓	✓
Colorado	State Taxpayer Accountability Report (STAR) Fiscal Year 2011-2012		✓		✓	
Connecticut	Fiscal Accountability Report: FY 2015-2018	✓	✓	✓	✓	✓
Delaware	Delaware Fiscal Notebook: 2014 Edition		✓		✓	
Florida	State of Florida 2014 Debt Affordability Report	✓	✓	✓	✓	✓
Georgia	Debt Management Plan FY 2015 - FY2019	✓	✓	✓	✓	✓
Hawaii	Statement of the Debt Limit of the State of Hawaii as of July 1, 2014		✓	✓		
Idaho	No documents found					
Illinois	Fiscal Year Bonded Indebtedness and Long-Term Obligations Report		✓		✓	✓
Indiana	Indiana: Debt Overview				✓	✓

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State	Document	Debt affordability study	Produced regularly	Includes projections	Contains metrics	Contains analysis
Iowa	Outstanding Obligations Report State of Iowa Selected State Outstanding Obligations		✓			
	Outstanding Obligations Report		✓			
Kansas	State of Kansas 2014 Debt Study	✓	✓	✓	✓	✓
Kentucky	2014-2020 Statewide Capital Improvements Plan	✓	✓	✓	✓	✓
Louisiana	Net Tax Supported Debt: 2012-2013 and 2013-2014 FY Status and 2014-2015 FY Projection	✓	✓	✓	✓	✓
Maine	Summary of Bonded Debt				✓	
Maryland	Report on the Capital Debt Affordability Committee on Recommended Debt Authorizations for Fiscal Year 2016	✓	✓	✓	✓	✓
Massachusetts	Debt Affordability Committee Attachment to Recommendation	✓	✓	✓	✓	✓
Michigan	No documents found					
Minnesota	Minnesota Management and Budget Debt Capacity Forecast	✓	✓	✓	✓	✓
Mississippi	Debt Affordability Study	✓	✓	✓	✓	✓
Missouri	State of Missouri Summary of Indebtedness		✓	✓		
Montana	Legislative Budget Analysis 2015 Biennium		✓	✓		
Nebraska	No documents found					
Nevada	General Obligation Debt Capacity and Affordability Report	✓	✓	✓	✓	✓
New Hampshire	Debt Affordability Study Update	✓	✓	✓	✓	✓
New Jersey	State of New Jersey Debt Report Fiscal Year 2014		✓	✓	✓	

Continued on next page

State	Document	Debt affordability study	Produced regularly	Includes projections	Contains metrics	Contains analysis
New Mexico	Debt Affordability Study	✓	✓	✓	✓	✓
New York	FY 2016 Capital Program and Financing Plan	✓	✓	✓	✓	✓
North Carolina	Debt Affordability Study	✓	✓	✓	✓	✓
North Dakota	Executive Budget 2015-2017 Biennium	✓	✓	✓	✓	✓
Ohio	Constitution Article VIII, Section 17 Determination and Certification by Governor's Designee		✓	✓	✓	
Oklahoma	Oklahoma State Bond Advisor Annual Report 2014		✓		✓	✓
Oregon	Report of the State Debt Policy Advisory Commission 2015 Commission Report	✓	✓	✓	✓	✓
Pennsylvania	2015-2016 Pennsylvania Executive Budget	✓	✓	✓	✓	✓
Rhode Island	Capital Budget, FY 2015	✓	✓	✓	✓	✓
South Carolina	Annual State Debt Report: An Overview and Summary of South Carolina Debt Outstanding, Limitations, Constraints, and Capacity as of December 31, 2013		✓		✓	✓
South Dakota	South Dakota Debt Limitation and Management Policy	✓	✓	✓	✓	✓
Tennessee	State of Tennessee Indebtedness Report		✓	✓		
Texas	Texas Bond Review Board Debt Affordability Study	✓	✓	✓	✓	✓
Utah	State of Utah Constitutional Debt Limit August 31, 2015		✓		✓	✓
Vermont	Capital Debt Affordability Advisory Committee, Recommended Annual Net Tax-Supported Debt Authorization	✓	✓	✓	✓	✓
Virginia	Virginia Debt Capacity Advisory Committee 2014 Report	✓	✓	✓	✓	✓
Washington	2015 Debt Affordability Study	✓	✓	✓	✓	✓

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State	Document	Debt affordability study	Produced regularly	Includes projections	Contains metrics	Contains analysis
West Virginia	2014 Debt Capacity Report	✓	✓	✓	✓	✓
Wisconsin	Wisconsin Debt Management Policy Issue Paper			✓	✓	✓
	GPR Supported Debt and Bonding Overview			✓	✓	✓
Wyoming	No documents found					

Source: Pew analysis of state debt affordability studies and other documents

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Appendix C: Assessment of state debt affordability studies

The table below presents the scoring criteria for assessing state debt affordability studies. Only states with studies are included.

		AK	CA	CT	FL	GA	KS	KY	LA	MA	MD	MN	MS	NC	ND	NH	NM	NV	NY	OR	PA	RI	SD	TX	VA	VT	WA	WV
Leading state					✓	✓				✓	✓			✓		✓				✓				✓	✓			
Projections	Multiple scenarios					✓		✓	✓	✓	✓			✓		✓	✓			✓				✓	✓			
	Projects 3 or more years	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Projects all types		✓	✓	✓	✓			✓	✓	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Projections leader?					✓			✓	✓	✓			✓		✓	✓			✓				✓	✓			
Benchmarking	Multiple metrics	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓		✓	✓			✓	✓	✓	✓	✓	✓
	Discusses appropriateness of benchmarking group																						✓	✓	✓	✓		
	Incorporates benchmarking into discussion	✓	✓	✓	✓	✓	✓	✓					✓		✓	✓	✓			✓		✓		✓	✓	✓	✓	✓
	Benchmarking leader?	✓	✓	✓	✓	✓	✓	✓					✓		✓	✓	✓			✓			✓	✓	✓	✓	✓	✓
Metrics	Uses multiple metrics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Incorporates metrics into discussion	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Metrics leader?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mechanics	Clear statement of capacity	✓			✓	✓				✓	✓	✓		✓	✓	✓	✓	✓		✓			✓	✓	✓	✓		
	Legal mandate	✓	✓	✓	✓			✓		✓	✓	✓		✓		✓				✓			✓	✓	✓	✓		✓
	Mechanics leader?	✓			✓					✓	✓	✓		✓		✓				✓			✓	✓	✓	✓		
Scope	50% or more debt captured		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓						✓							✓	
	Discusses other LTOs	✓		✓	✓	✓		✓		✓	✓			✓			✓			✓	✓				✓	✓	✓	
	Scope leader?			✓	✓	✓		✓		✓	✓			✓						✓							✓	

Notes: A state leads in projections if it includes multiple scenarios (such as varying interest rates or different borrowing amounts), looks three or more years into the future, and projects three different types of data: future debt service, future debt capacity, and future issuance or debt outstanding. A state leads in benchmarking if it uses multiple metrics to compare itself to other states and either discusses the appropriateness of making comparisons to the peer group or includes a written analysis explaining the significance of the comparisons. For example, a state may note that its debt per capita is greater than that of its peers, perhaps indicating a heavier burden on that state’s taxpayers. A state leads in metrics if multiple metrics are used and they are accompanied by explanatory text. States that lead in mechanics produce a document containing a clear statement of the borrowing capacity remaining and are legally required to produce their studies. Finally, states lead in scope if half or more of their debt was included in the capacity analysis and the study discusses the impact of other long-term obligations, such as pensions and other post-employment benefits, on the state’s ability to afford debt.

Source: Pew analysis of states’ debt affordability studies, CAFRs, component unit financial statements, and statutes
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Endnotes

- 1 See the methodology section for Pew's definition of a debt affordability study.
- 2 Hawaii produced its first debt affordability study in December 2016 but was not included in this total, as its study did not meet Pew's October 2015 deadline for evaluation. Please see the Hawaii text box on Page 2 for more information.
- 3 Requirements for the information that must be contained in a CAFR are set by the seven-member Governmental Accounting Standards Board, an independent organization based in Connecticut that establishes accounting and financial reporting practices for state and local governments. While not a government body, abiding by the board's rules is statutorily required in some states and by auditors who evaluate financial statements. The board's rules are often the standard for what is considered state debt. Certain board interpretations, statements, and pronouncements govern how states deal with various obligations. Interpretation No. 2, for example, delineates disclosure requirements for conduit debt, including certain revenue bonds and certificates of participation (see "Types of debt"). Statement No. 34 establishes reporting requirements for state and local governments, including that officials file financial statements concerning debt service using the modified accrual basis of accounting.
- 4 Georgia Gov. Nathan Deal, "Deal: Georgia Scores Top Marks, Sells Bonds," news release, June 8, 2016, <https://gov.georgia.gov/press-releases/2016-06-08/deal-georgia-scores-top-marks-sells-bonds>.
- 5 Ward Romp and Jakob De Haan, "Public Capital and Economic Growth: A Critical Survey," *Perspektiven der Wirtschaftspolitik* 8, no. S1 (2007): 6-52.
- 6 Robert A. Greer and Dwight V. Denison, "Determinants of Debt Concentration at the State Level," *Public Budgeting and Finance* 36, no. 4 (2016): 111-30.
- 7 A more common practice is borrowing money in the short term—notes that mature up to a year later—to pay employees, vendors, and others when cash flow is slow in the months before residents start paying their taxes.
- 8 For a discussion of the impact of these subsidies on state borrowing, see Martin J. Luby, "Federal Intervention in the Municipal Bond Market: The Effectiveness of the Build America Bond Program and Its Implications on Federal and Subnational Budgeting," *Public Budgeting and Finance* 32, no. 4 (2012): 46-70.
- 9 Patrick Goldsmith (director, Louisiana House Fiscal Division), interview by The Pew Charitable Trusts, May 18, 2016.
- 10 Laura Lockwood-McCall (director, Oregon debt management division), interview by The Pew Charitable Trusts, Nov. 23, 2015.
- 11 American Society of Civil Engineers, "2017 Infrastructure Report Card" <http://www.infrastructurereportcard.org>.
- 12 U.S. Department of Transportation, "2015 Status of the Nation's Highways, Bridges, and Transit: Conditions & Performance" (2015), <https://www.transportation.gov/briefing-room/dot1017>.
- 13 Center on Budget and Policy Priorities, "It's Time for States to Invest in Infrastructure" (2016), <http://www.cbpp.org/research/state-budget-and-tax/its-time-for-states-to-invest-in-infrastructure>.
- 14 Standard and Poor's, "Debt Levels Flatline as U.S. States Prioritize Budget Management Over Investment" (2016); Romp and De Haan, "Public Capital and Economic Growth."
- 15 William Dwyer (New Hampshire state treasurer), interview by The Pew Charitable Trusts, Dec. 22, 2015.
- 16 Myron Frans (commissioner, Minnesota Management and Budget), interview by The Pew Charitable Trusts, March 7, 2016.
- 17 Antonio Cabral (state representative, Massachusetts), interview by The Pew Charitable Trusts, May 25, 2016.
- 18 Ben Watkins (director, Florida Division of Bond Finance), interview by The Pew Charitable Trusts, Dec. 16, 2015.
- 19 Lockwood-McCall interview.
- 20 Emily Raimes (vice president, senior credit officer/manager, Public Finance Group, Moody's Investors Service), interview by the Pew Charitable Trusts, June 3, 2016.
- 21 John Sugden (senior director, state and local government group, Standard & Poor's), interview by The Pew Charitable Trusts, June 1, 2016.
- 22 Moody's Investors Service, "State Ratings List" (August 2016).
- 23 Diana Pope (director, financing and investment, Georgia State Financing and Investment Commission), interview by The Pew Charitable Trusts, Nov. 20, 2015.
- 24 Georgia Gov. Nathan Deal, "Deal: Georgia Scores Top Marks, Sells Bonds."
- 25 North Carolina State Treasurer Janet Cowell, "Treasurer Cowell Announces Bond Ratings for First Issuance of Connect NC Bonds," news release, July 15, 2016, <https://www.nctreasurer.com/inside-the-department/News-Room/press-releases/Pages/Treasurer-Cowell-Announces-Bond-Ratings-for-First-Issuance-of-Connect-NC-Bonds.aspx>.

- 26 Stephen Singer, "Two Wall Street Credit Agencies Downgrade State's Rating," May 19, 2016, <http://www.courant.com/business/hc-connecticut-downgraded-20160519-story.html>.
- 27 Karen Krop (senior director, public finance, Fitch Ratings), interview by The Pew Charitable Trusts, June 1, 2016.
- 28 See Hawaii text box on Page 2. Hawaii published its first debt affordability study in December 2016, after Pew's evaluation period concluded.
- 29 States differ widely in their voter approval requirements for debt. Some do not require it at all, while others such as Rhode Island have low-debt limits that can be exceeded only with voter approval. A number of states require both voter approval and a legislative majority or supermajority, and still others add a metric-based requirement in addition to voter and/or legislative approval. See Appendix A for more detail.
- 30 Most of the definitions in the glossary came from the National Center for Education Statistics, the Governmental Accounting Standards Board, and the Municipal Securities Rulemaking Board.
- 31 Georgia State Financing and Investment Commission, "Debt Management Plan 2015-2019," <http://gsfic.georgia.gov/documents/debt-management-plan-0>.
- 32 North Carolina Debt Affordability Advisory Committee, "North Carolina Debt Affordability Study" (Feb. 1, 2015), https://www.nctreasurer.com/slg/Debt%20Affordability/2015_DAAC.pdf.
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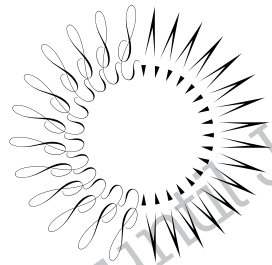
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Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Monday, June 05, 2017 3:27 PM
To: Arango, Courtney
Subject: Fwd: RE: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

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Court, FYI -- WTHR had similar questions and are holding for answers.

----- Original Message -----

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
To: "stephanie@mcfarlandpr.com" <stephanie@mcfarlandpr.com>
Cc: "Berta, Steve" <Steve.Berta@indystar.com>, "Lange, Kaitlin" <kaitlin.lange@courierpress.com>
Date: June 5, 2017 at 3:05 PM
Subject: RE: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

Stephanie,

Once again, we're simply trying to get answers from public officials about breaking news involving a topic of great public interest.

The lack of accessibility and transparency will be conveyed in our stories.

It is hard to believe that there is one person, and only one, who can answer these basic questions.

We are, however, resending the questions from this morning in the hope that, in fact, more than one person in the IFA has the knowledge to answer.

We are also interested in knowing when you plan to answer the questions we submitted last week.

--Mark and Kaitlin

---Is the \$164,785,000 estimate of cost to “complete construction and resolve claims” a new and additional cost to the state for this project?

---If not, what new and additional expenses will there be for this project?

---Where will the money come from?

---The notice referenced a potential bond issue in September. What is the amount of those bonds? Would that money be used for more than paying off bond holders?

---Is the state still negotiating with bond holders, even though the confidentiality agreement expired?

On June 5, 2017 at 2:52 PM "Alesia, Mark" <Mark.Alesia@indystar.com> wrote:

Thanks, Stephanie. Will anyone be available for questions? Are you going to answer the written questions we sent this morning? Please let us know. –Mark and Kaitlin

From: stephanie@mcfarlandpr.com [<mailto:stephanie@mcfarlandpr.com>]

Sent: Monday, June 05, 2017 2:35 PM

To: STEPHANIE@MCFARLANDPR.COM

Subject: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

MEDIA RESPONSE -- PLEASE SEE STATEMENT FROM INDIANA FINANCE AUTHORITY BELOW

STATEMENT ON I-69 SECTION 5:

"In the interest of moving I-69 Section 5 to completion, the IFA has engaged in negotiations with the developer's bond holders and has made an offer to buy out the bonds and transition the I-69 Section 5 project under the State's direct management. The developer's bond holders have not accepted IFA's offer to date. At this time, the state is moving forward with the goal of assuming control of the project.

"In the process of negotiations with developer's bondholders, the door was opened for IFA and INDOT to discuss the project schedule with various subcontractors working on the project. Based on that expertise, the State is revising the completion date to on or before August 2018. This new completion date will not affect the opening of four continuous lanes of traffic in the greater Bloomington area in August 2017." -- Dan Huge, public finance director, Indiana Finance Authority

Link to official disclosure posting: <https://emma.msrb.org/EP1002054-EP776824-EP1178551.pdf>

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Monday, June 05, 2017 2:50 PM
To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney
Cc: Seamands, Rebecca
Subject: FOLLOW-UP MEDIA QUESTIONS

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----- Original Message -----

From: Phil Cannelongo <pcannelongo@wthr.com>
To: "stephanie@mcfarlandpr.com" <stephanie@mcfarlandpr.com>
Date: June 5, 2017 at 2:36 PM
Subject: RE: INDIANA FINANCE AUTHORITY

Hey,

IndyStar reports a little more than \$70 Million left on bonds and more than \$200 million needed to complete the project.

Where is the rest of the money coming from then?

Philip Cannelongo

WTHR Executive Producer

317.655.5771 Direct Line | 614. [REDACTED] Cell | pcannelongo@wthr.com



From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]
Sent: Monday, June 05, 2017 2:22 PM
To: Phil Cannelongo <pcannelongo@wthr.com>
Subject: INDIANA FINANCE AUTHORITY

Phil, please see below. Will send to others in next 10 minutes:

STATEMENT ON I-69 SECTION 5:

"In the interest of moving I-69 Section 5 to completion, the IFA has engaged in negotiations with the developer's bond holders and has made an offer to buy out the bonds and transition the I-69 Section 5 project under the State's direct management. The developer's bond holders have not accepted IFA's offer to date. At this time, the state is moving forward with the goal of assuming control of the project," said IFA Director Dan Huge. "In the process of negotiations with developer's bondholders, the door was opened for IFA and INDOT to discuss the project schedule with various subcontractors working on the project. Based on that expertise, the State is revising the completion date to on or before August 2018. This new completion date will not affect the opening of four continuous lanes of traffic in the greater Bloomington area in August 2017."

Link to EMMA posting: <https://emma.msrb.org/EP1002054-EP776824-EP1178551.pdf>

Stephanie McFarland, APR

Senior Issue-Management Consultant
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Scott.A.Milkey

From: Arango, Courtney
Sent: Monday, June 05, 2017 2:43 PM
To: McFarland, Stephanie (Stephanie@McFarlandpr.com); Huge, Dan; Stark, Jim (IFA); Seamands, Rebecca; Dietrick, Andrew
Subject: RE: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

Sounds good. Thanks.

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317- [REDACTED]

Follow Governor Eric Holcomb on [Twitter](#), [Facebook](#), & [Instagram](#)

From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]
Sent: Monday, June 5, 2017 2:42 PM
To: Arango, Courtney <CArango1@gov.IN.gov>; Huge, Dan <DHuge@ifa.IN.gov>; Stark, Jim (IFA) <JStark1@ifa.IN.gov>; Seamands, Rebecca <Rebecca.Seamands@icemiller.com>; Dietrick, Andrew <ADietrick@indot.IN.gov>
Subject: Fwd: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

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See response to media below -- I'll be in touch as additional questions may come in.

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: STEPHANIE@MCFARLANDPR.COM
Date: June 5, 2017 at 2:34 PM
Subject: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

MEDIA RESPONSE -- PLEASE SEE STATEMENT FROM INDIANA FINANCE AUTHORITY BELOW

STATEMENT ON I-69 SECTION 5:

"In the interest of moving I-69 Section 5 to completion, the IFA has engaged in negotiations with the developer's bond holders and has made an offer to buy out the bonds and transition the I-69 Section 5 project under the State's direct management. The developer's bond holders have not accepted IFA's offer to date. At this time, the state is moving forward with the goal of assuming control of the project.

"In the process of negotiations with developer's bondholders, the door was opened for IFA and INDOT to discuss the project schedule with various subcontractors working on the project. Based on that expertise, the State is revising the completion date to on or before August 2018. This new completion date

will not affect the opening of four continuous lanes of traffic in the greater Bloomington area in August 2017." -- Dan Huge, public finance director, Indiana Finance Authority

Link to official disclosure posting: <https://emma.msrb.org/EP1002054-EP776824-EP1178551.pdf>

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Monday, June 05, 2017 2:42 PM
To: Arango, Courtney;Huge, Dan;Stark, Jim (IFA);Seamands, Rebecca;Dietrick, Andrew
Subject: Fwd: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

See response to media below -- I'll be in touch as additional questions may come in.

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: STEPHANIE@MCFARLANDPR.COM
Date: June 5, 2017 at 2:34 PM
Subject: RESPONSE TO MEDIA INQUIRY -- INDIANA FINANCE AUTHORITY

MEDIA RESPONSE -- PLEASE SEE STATEMENT FROM INDIANA FINANCE AUTHORITY BELOW

STATEMENT ON I-69 SECTION 5:

"In the interest of moving I-69 Section 5 to completion, the IFA has engaged in negotiations with the developer's bond holders and has made an offer to buy out the bonds and transition the I-69 Section 5 project under the State's direct management. The developer's bond holders have not accepted IFA's offer to date. At this time, the state is moving forward with the goal of assuming control of the project.

"In the process of negotiations with developer's bondholders, the door was opened for IFA and INDOT to discuss the project schedule with various subcontractors working on the project. Based on that expertise, the State is revising the completion date to on or before August 2018. This new completion date will not affect the opening of four continuous lanes of traffic in the greater Bloomington area in August 2017." -- Dan Huge, public finance director, Indiana Finance Authority

Link to official disclosure posting: <https://emma.msrb.org/EP1002054-EP776824-EP1178551.pdf>

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Monday, June 05, 2017 12:19 PM
To: Arango, Courtney
Cc: Huge, Dan; Stark, Jim (IFA)
Subject: Fwd: WTHR Request

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

FYI.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Begin forwarded message:

From: Phil Cannelongo <pcannelongo@wthr.com>
Date: June 5, 2017 at 11:58:28 AM EDT
To: "Stephanie@McFarlandpr.com" <Stephanie@McFarlandpr.com>
Subject: WTHR Request

Hey Stephanie,

I'm trying to confirm the following:

<http://www.indystar.com/story/news/2017/06/05/indiana-finance-authority-i-69-bloomington-martinsville-p-3-public-private-partnership/370165001/>

Thanks,

Philip Cannelongo
WTHR Executive Producer

317.655.5771 Direct Line | 614. [REDACTED] Cell | pcannelongo@wthr.com



Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Friday, June 02, 2017 12:37 PM
To: Arango, Courtney;Huge, Dan;Stark, Jim (IFA);Dietrick, Andrew;Wingfield, Will (INDOT);Wilson, Stephanie
Subject: FYI -- PUBLICATION DATE

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Just received this info from the developer's PR contact:

Something will most likely run next (not this) Sunday!

Kaitlin

Stephanie McFarland, APR

Senior Issue-Management Consultant
McFarland PR & Public Affairs, Inc.
211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Wednesday, May 31, 2017 6:20 PM
To: Huge, Dan; Stark, Jim (IFA)
Cc: Dietrick, Andrew; Arango, Courtney
Subject: Fwd: Questions from IndyStar on I-69 Section 5

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Take a look. We have a list of questions.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
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stephanie@mcfarlandpr.com

Begin forwarded message:

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
Date: May 31, 2017 at 6:00:48 PM EDT
To: 'Stephanie McFarland' <stephanie@mcfarlandpr.com>, "StepWilson@gov.in.gov" <StepWilson@gov.in.gov>
Subject: Questions from IndyStar on I-69 Section 5

Stephanie and Stephanie,

Here are our questions about I-69 Section 5. Once again, our preference was to have an in-person interview, and perhaps you can arrange that for the inevitable follow-up questions.

We're asking that you provide answers by noon Friday.

If there are some questions that can't be answered by then, please respond to as many as you can by Friday.

Thanks,
Mark Alesia and Kaitlin Lange

---What protections are in place to be sure that the project is completed in a reasonable amount of time at a reasonable cost to taxpayers?

---Did the state make any mistakes in managing this project? If so, what are they? If not, who's responsible for the current situation?

---What, if anything, has the state learned from this experience? Will it change the way it handles P3s in the future?

---Did Gov. Pence communicate directly with INDOT/IFA officials concerning the decision to use P3 financing or the decision on what bid should win?

---Were any other elected public officials involved in the decision to use P3 financing instead of issuing public debt? If so, who, specifically? And how, specifically, were they involved?

---A criticism of P3 financing is that it is less transparent traditional bond financing. How did the IFA involve the public in the decision to use P3 financing for such a large project?

---Was a VfM (Value for Money) analysis or anything similar done to compare traditional financing cost vs. P3? If not, why not? If so, will you provide us the analysis?

---What specific individuals evaluated the winning bidder's financial situation? Did they have experience with international corporations? Was a third-party consultant used? If so, who?

---Were there any concerns about choosing a company that had little experience in the U.S., especially when it comes to building roads? If not, why not?

---Did it raise any red flags that the winning bid was \$73 million less than the closest bid, and \$67 million less than the state's estimate? If not, why not?

---Why wasn't the project company going bankrupt listed as a risk with a mitigation plan in state documents? Several other risks were listed with mitigation plans for each.

---We were told that the state does not usually release its estimate of a project cost until after the bids come in. Why did the state release its estimate in advance for this?

---Is it accurate that nobody from Isolux was present at the bid reading? Did that raise red flags?

---Is it true that Isolux didn't attend any early meetings with the state, as reported by Public Works Financing in March 2017? Did that raise red flags?

---Of Isolux, Public Works Financing reported in March 2017, "It's almost like they were surprised they won the contract." Did the state see any red flags that indicated the winning bidder was surprised that it won the contract?

---Were public officials aware of the arrest of nine people in Spain in May 2014 on embezzlement charges related to an Isolux project? If not, why not? If so, did that raise any red flags about the company?

---Is it correct that, as Public Works Financing reported, the Spanish parent company for the project didn't assign the contract to its U.S. subsidiary, Isolux Corsan, until July 2014 --- three months after signing? Did that raise any red flags to the state?

---Is it true, as Public Works Financing reported, that Isolux Corsan didn't fully staff the project until months later and didn't bring in anyone who had knowledge of its bid? Did that raise any red flags with the state?

---We have a source involved in the project who said of the public-private partnership, "It felt to me like they wanted to make it work at all costs. They weren't willing to see the red flags." Did

the state ignore red flags? Was there political pressure to do the project as a P3 and was there political pressure to make it work, despite red flags?

---In November 2015, Bloomberg News said Isolux was “the riskiest company in the world” based on trading activity. Was anyone from the state aware of that? If not, why not? If so, how did the state react?

---Why did the state have so much confidence in Isolux?

---Despite all of the problems, why did the state continue to have enough confidence in Isolux to enter into an MOU with Isolux as recently as early 2017?

---Should the state have cut ties with Isolux by now? If not, why not?

---What were the circumstances of Gary Vandegriff’s departure from INDOT? An industry newsletter said he was “hired away from his government job by I-69 Development Partners to help salvage the project.”

---Why did the IFA and INDOT require a formal ethics opinion before allowing Vandegriff to immediately join I-69 Development Partners without a one-year cooling off period?

---Was it appropriate for Vandegriff, while representing I-69 Development Partners, to communicate directly with the state during disputes over the project?

---A common theme of P3 proponents is the superior knowledge and innovation of the private sector. What does it say that a public sector person had to “salvage” the project and later left the company?

---What is Indiana’s law on surety bonding for P3s? Why go with 25 percent performance bonding, which we were told is on the low end for these types of projects?

---Bloomington mayor John Hamilton told us he found it very difficult to get information from IFA and INDOT. His quote: “Transparency has been very frustrating. A public private partnership should not be a way to diminish public accountability or transparency about how these public dollars are being invested and used, well or not.” Why has it been so hard for public officials and the media to get information on the project? Was there a contractual requirement for all media inquiries to go through IFA? Why have that?

---We have statistics that show traffic accidents along the I-69 Section 5 route have increased significantly during construction. Even though it isn’t exactly a financial cost, do you consider that an acceptable consequence of delays in construction?

---There was language placed in House Bill 1002 regarding IFA and the termination of a P3. Do you know why that language was inserted? What impact does that language have? Did Indiana law prevent the state from terminating its agreement with I-69 Development Partners prior to that legislation?

---Do you plan to terminate the agreement with I-69 Development Partners?

---If you terminate your contract with I-69 Development Partners, how much longer do you think it will extend the construction? What is the procedure/timeline for finding a new company to complete the road if that is the case?

---What are the consequences for terminating the contract for both I-69 Development Partners and the state? Financial analysts for Fitch told us that it would increase the cost of the project to fire the P3 firm?

---The most recent MOU was never signed. So realistically, what is your new estimated completion date?

Mark Alesia
Reporter



Office: 317-444-6311 | @markalesia

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Tuesday, May 23, 2017 3:46 PM
To: Huge, Dan;Arango, Courtney
Subject: INDY STAR -- INVESTIGATIVE EDITOR REPLY

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

FYI -- please see below. Read my proposed email response sent earlier for your review.

----- Original Message -----

From: "Berta, Steve" <Steve.Berta@indystar.com>
To: "stephanie@mcfarlandpr.com" <stephanie@mcfarlandpr.com>, "Lindsay, Alvie" <Alvie.Lindsay@indystar.com>
Date: May 23, 2017 at 12:18 PM
Subject: RE: CORRECTION

Stephanie,

We are still gathering information about the I-69 project, and we are extremely interested in sitting down with knowledgeable people who can shed light on the state's complicated contractual arrangement with Isolux.

We believe a sit-down interview would be the absolute best way to ensure accuracy and avoid misunderstanding because it would allow you to explain things in detail, and us to seek clarification as questions and ambiguities arise.

I would be glad to discuss issues related to tone and relationship at some later point, but the question before you today is really quite simple: Will you or will you not make INDOT and IFA officials with direct knowledge of the Public Private Partnership available to us?

I'd love to hear back from you on that single point today. Hopefully, we can then start talking about the timing of a meeting, or move on to other subjects.

Let's be clear. We are preparing a story for publication very soon. It is our wish that you are there to help us on the front end, not just there to criticize after the fact.

Steve Berta

Senior Content Coach/Investigations

Indianapolis Star

(317) 444-6280

Stephanie McFarland, APR

Senior Issue-Management Consultant

McFarland PR & Public Affairs, Inc.

211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Monday, May 22, 2017 12:11 PM
To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney
Subject: INDY STAR -- Checking back

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Please see below. Jim, please call me as soon as is possible. Thanks.

----- Original Message -----

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
To: 'Stephanie McFarland' <stephanie@mcfarlandpr.com>
Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "Berta, Steve" <Steve.Berta@indystar.com>
Date: May 22, 2017 at 10:45 AM
Subject: RE: Checking back

We're hoping you'll make it a priority, considering Kaitlin's first request for you to meet with us was 20 days ago. I followed up 13 days ago. Thanks.

From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
Sent: Monday, May 22, 2017 10:38 AM
To: Alesia, Mark
Cc: Lange, Kaitlin
Subject: Re: Checking back

Mark, I will be in touch as soon as I have a chance to talk to him, per our conversation on Friday.

Stephanie McFarland, APR

Senior Public-Affairs Consultant

McFarland PR & Public Affairs, Inc.

317.602.1546 -- office

317. [REDACTED] -- cell (24/7)

stephanie@mcfarlandpr.com

On May 22, 2017, at 10:27 AM, Alesia, Mark <Mark.Alesia@indystar.com> wrote:

Hi Stephanie. Hope you had a nice weekend. We're eager to hear something on our request to interview Jim Stark. Thanks. --Mark

Mark Alesia

Reporter

<image001.png>

317.444.6311

@markalesia

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Friday, May 19, 2017 11:36 AM
To: Huge, Dan; Arango, Courtney
Subject: INDY STAR -- REQUEST TO INTERVIEW JIM STARK

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Dan, please see below. Let me know when you can speak. Thanks.

----- Original Message -----

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
To: 'Stephanie McFarland' <stephanie@mcfarlandpr.com>
Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "Berta, Steve" <Steve.Berta@indystar.com>
Date: May 19, 2017 at 11:23 AM
Subject: RE: Dan Huge

Stephanie,

We appreciate Dan Huge's attention on this. Getting the public documents we requested from the IFA and INDOT would be a great start.

Would it be possible to sit down with Jim Stark early next week? We have several questions that will inevitably lead to follow-up questions as we work to understand a complicated subject and present it fairly and accurately. That's why we're seeking direct dialogue with top IFA officials.

As far as we can tell from reading years of media coverage of I-69 Section 5, that sort of accessibility to the public leaders of this project has been non-existent.

We're hopeful the IFA won't see this as an unreasonable request.

Thanks.

--Mark and Kaitlin

From: Stephanie McFarland [mailto:stephanie@mcfarlandpr.com]
Sent: Thursday, May 18, 2017 6:29 PM
To: Alesia, Mark
Subject: Re: Dan Huge

Mark, Dan is going to be traveling out of state tomorrow and into the beginning of next week, and I know he has some critical meeting set up later in the week. But he was insistent that I find find out what you need, and work to get you answers to your questions. Let me know what you need, and I will make sure we get answers to your questions. Also let me know your deadline, so I can make sure we hit that.

Stephanie McFarland, APR

Senior Public-Affairs Consultant

McFarland PR & Public Affairs, Inc.

317.602.1546 -- office

317. [REDACTED] -- cell (24/7)

stephanie@mcfarlandpr.com

On May 18, 2017, at 1:18 PM, Alesia, Mark <Mark.Alesia@indystar.com> wrote:

Does that mean we can schedule an interview?



From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Thursday, May 18, 2017 1:14:12 PM
To: Alesia, Mark
Subject: Dan Huge

Mark, Dan Huge is also moving between meetings today, but did let me know that you had phoned him. He asked me to contact you immediately. He is going to be out of pocket for the next few days, but wanted to make sure you get the information you need. Thanks so much.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] cell (24/7)
stephanie@mcfarlandpr.com

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Thursday, May 18, 2017 12:07 PM
To: Huge, Dan; Stark, Jim (IFA); Arango, Courtney
Cc: Wingfield, Will (INDOT); Dietrick, Andrew; Seiwert, Andy
Subject: Fwd: RE: VOICE MAIL

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FYI.

----- Original Message -----

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
To: "stephanie@mcfarlandpr.com" <stephanie@mcfarlandpr.com>
Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>, "dhuge@ifa.in.gov" <dhuge@ifa.in.gov>, "Berta, Steve" <Steve.Berta@indystar.com>
Date: May 18, 2017 at 11:11 AM
Subject: RE: VOICE MAIL

Stephanie,

Given that you sent two documents of minimal value eight days after we merely asked to talk with you on this subject, sending written questions seems less than helpful. As you noted in your email, we have been patient.

We are working very hard to present a complicated topic fairly and accurately. It is in this spirit that we are hoping to have a dialogue with our public officials and staff on a topic of great importance to Hoosiers.

So we're asking again to sit down for an interview with knowledgeable IFA and INDOT staff about the I-69 Section 5 project and the P3 financing.

Anything we publish will, of course, note the accessibility and cooperation, or lack thereof, of our public officials and institutions.

Thanks.

--Mark

From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]
Sent: Thursday, May 18, 2017 10:22 AM
To: Alesia, Mark
Subject: VOICE MAIL

Mark, just got your voice mail. I am heading into a marathon string of meetings for the day. I am not an expert source on the 2014 process, but please send me your questions and I'll be happy to research those for you. Also let me know your deadline.

Thank you.

Steph

Stephanie McFarland, APR

317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Thursday, May 18, 2017 11:00 AM
To: Huge, Dan; Stark, Jim (IFA); Kiefer, Chris; Dietrick, Andrew; Wingfield, Will (INDOT); Seiwert, Andy
Cc: Arango, Courtney
Subject: MARK ALESIA
Attachments: voicemail-1738.m4a; ATT00001.txt

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Here is Mark Alesia's voice mail this morning. I recommend all take a listen. I emailed him and asked him to send us his questions, and let him know that I am not an expert source on the 2014 process.

Scott.A.Milkey

From: Arango, Courtney
Sent: Monday, May 15, 2017 5:11 PM
To: Suarez, Susana; Wilson, Stephanie; McKinney, Caroline
Cc: Bennin, Andre; Vincent, Micah; Lopez, Danny; Huge, Dan; McFarland, Stephanie (Stephanie@McFarlandpr.com); Dietrick, Andrew; Manning, Scott; Wingfield, Will (INDOT); Kiefer, Chris; McGuinness, Joe; Elsener, Joseph
Subject: FW: INDOT Begins Survey Work along I-69 Section 6 Corridor

Some of you may have seen this press release, but I wanted to make sure specific folks were aware of INDOT's notice sent today re: I-69 Section 6.

Thanks,
Courtney

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317- [REDACTED]

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INDOT Begins Survey Work along I-69 Section 6 Corridor

Survey crews will be out throughout spring, summer

INDIANAPOLIS (May 15, 2017) – The Indiana Department of Transportation (INDOT) is surveying State Road 37 between State Road 39 to I-465 in preparation of establishing the footprint of I-69 Section 6.

INDOT will be conducting survey work near or on properties along the preferred alternative, and property owners will be notified by letter this month. The letters will be marked Notice of Survey. Surveyors are using advance signage in work areas, wearing reflective vests, and using vehicles with safety lights.

This is the normal process to help INDOT further refine and analyze SR 37 as the preferred alternative for I-69 Section 6. INDOT anticipates a Record of Decision and the Final Environmental Impact Statement from Federal Highway Administration in the **first quarter of 2018.**



I-69 Section 6 Project Office

7847 Waverly Road
Martinsville, IN 46151
317-881-6408
section6pm@indot.in.gov

Media Contact

LaMar Holliday
317-881-6408
lholliday@indot.in.gov

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Scott.A.Milkey

From: Arango, Courtney
Sent: Monday, May 15, 2017 5:11 PM
To: Suarez, Susana; Wilson, Stephanie; McKinney, Caroline
Cc: Bennin, Andre; Vincent, Micah; Lopez, Danny; Huge, Dan; McFarland, Stephanie (Stephanie@McFarlandpr.com); Dietrick, Andrew; Manning, Scott; Wingfield, Will (INDOT); Kiefer, Chris; McGuinness, Joe; Elsener, Joseph
Subject: FW: INDOT Begins Survey Work along I-69 Section 6 Corridor

Some of you may have seen this press release, but I wanted to make sure specific folks were aware of INDOT's notice sent today re: I-69 Section 6.

Thanks,
Courtney

Courtney Arango

Communications Director

Office of Governor Eric J. Holcomb

Cell: 317- [REDACTED]

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section6pm@indot.in.gov

Media Contact

LaMar Holliday
317-881-6408
lholliday@indot.in.gov

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Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Monday, May 15, 2017 12:42 PM
To: Arango, Courtney
Cc: Torres, Lori;Gras, Abby S
Subject: Ethics disclosures for IEDC members

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

FYI only.

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: Niki Kelly <nkelly@jg.net>, OIGPIO@ig.in.gov
Date: May 15, 2017 at 11:32 AM
Subject: Re: Ethics disclosures for IEDC members

Nikki, those disclosures are filed with the principal clerk of the House and principal secretary of the Senate. Please see the link below.

https://iga.in.gov/legislative/2017/economic_interest_statement_forms/

Steph

On May 15, 2017 at 11:16 AM Niki Kelly <nkelly@jg.net> wrote:

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Stephanie,

When I was last at a meeting there was talk of how the IEDC Board members have to file an ethics/financial disclosure with the ethics commission.

I am formally requesting those for the following members:

Eric Holcomb
Jim Schellinger
Elaine Bedel
Angela Braly
Joel Gorelick
Dominic Grote
Richard L. Johnson, Jr.
Michael Kubacki
John C. Lechleiter
Kristin Marcuccilli
Fred Merritt
Mark Miles

Dayton Molendorp
Mark Neal
Amy Schumacher
John Thompson
Linda White

Thanks in advance,

Niki Kelly
Fort Wayne Journal Gazette
317-686-0901



Sign the form to indicate approval. To help you get started, we've provided a sample signature. Please use the signature provided.

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Tuesday, May 09, 2017 4:17 PM
To: Wingfield, Will (INDOT)
Cc: Arango, Courtney; Stark, Jim (IFA); Huge, Dan
Subject: Fwd: I-69

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Please call me before you respond to him.

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Begin forwarded message:

From: "Alesia, Mark" <Mark.Alesia@indystar.com>
Date: May 9, 2017 at 3:34:06 PM EDT
To: 'Stephanie McFarland' <stephanie@mcfarlandpr.com>, "'wwingfield@indot.IN.gov'"
<wwingfield@indot.IN.gov>
Cc: "Lange, Kaitlin" <kaitlin.lange@courierpress.com>
Subject: I-69

Stephanie and Will

My colleague Kaitlin Lange and I are working on a story about I-69 Section 5. We're hoping to meet with one or both of you to try to better understand the process of deciding on a public-private partnership, choosing the company to design-build-operate and negotiating with that company. Please let me know if you're available to talk. Thanks.

--Mark

Mark Alesia
Reporter

INDYSTAR | 
317.444.6311
@markalesia

Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Monday, May 08, 2017 2:22 PM
To: Arango, Courtney;Huge, Dan;Stark, Jim (IFA)
Subject: INSIDE INDIANA BUSINESS: INDOT: Time is Now to Ramp Up I-69 Planning

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FYI

----- Original Message -----

From: Inside Edge <InsideEdge@insideindianabusiness.news>
To: stephanie@mcfarlandpr.com
Date: May 8, 2017 at 2:08 PM
Subject: INDOT: Time is Now to Ramp Up I-69 Planning

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Inside Edge Midday Report

May 8, 2017

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Top Stories

INDOT: Time is Now to Ramp Up I-69 Planning

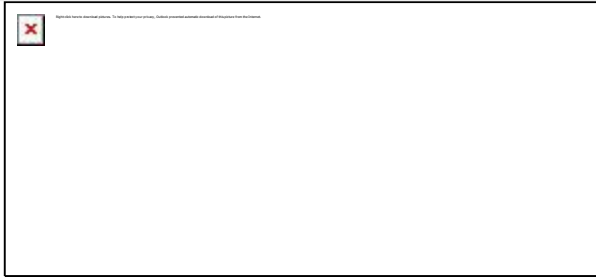
The Indiana Department of Transportation says "now is the time" to make economic plans around the proposed final section of the I-69 extension. Public Affairs Manager Andy Dietrick says, although construction is not likely to begin until 2020, there is "a lot of economic development thought to be given" to the planned \$1.5 billion, 26-mile route between Martinsville and Indianapolis. His progress report comes on the heels of last week's I-69 Summit, which brought communities and businesses together to discuss the economic potential of the project. [Read More](#)

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VIDEO: During an interview with Inside INdiana Business, Dietrick said the "missing link" to the extension project is an interstate-quality bridge connecting Kentucky and Indiana.

NEW: Proposal Would Bump Indy Employee Minimum Wage

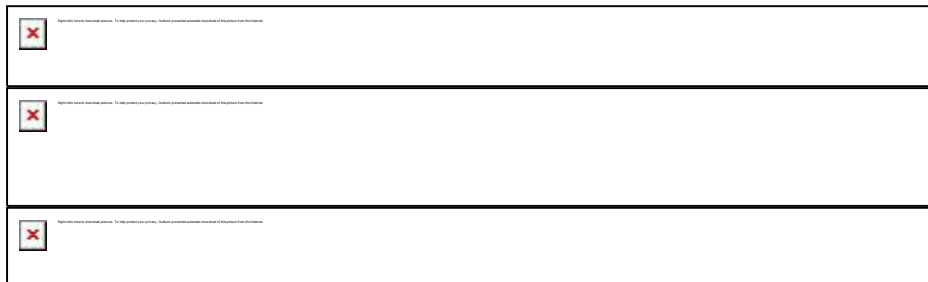
The City-County Council in Indianapolis will hear a proposal tonight calling for a minimum "living wage" for Marion County employees. The measure, which comes from Council President Maggie Lewis and Vice President Zach Adamson, would boost hourly wages of nearly 360 workers to \$13 per hour. [Read More](#)

Beck's Hybrids, Israeli Company Collaborating

Hamilton County-based Beck's Hybrids has announced a new partnership with an Israeli genetics company. The partnership with Kaiima Bio-Agritech Ltd. involves evaluating integration of genomic changes the companies say will result in higher-yielding corn hybrids. [Read More](#)

Hoosiers Among 'Entrepreneur of the Year' Finalists

Seven Indiana business owners are included among the finalists for the 2017 EY Entrepreneur of the Year Award for the Ohio Valley Region. The seven Hoosier finalists join 22 others representing Ohio and Kentucky. [Read More And See Finalists](#)



Sinclair Broadcast Group to Acquire Tribune

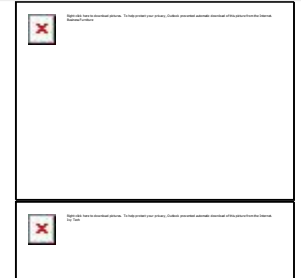
Maryland-based Sinclair Broadcast Group Inc. (Nasdaq: SBGI) has announced plans to acquire New York-based Tribune Media Co. (NYSE: TRCO) in a \$3.9 billion deal. Tribune owns or operates 42 television stations throughout the country, including WXIN-TV and WTTV-TV in Indianapolis. [Read More](#)

Utility Operations Drive Vectren Profit

Evansville-based Vectren Corp. (NYSE: VVC) is reporting first quarter net income of \$55.4 million, up from \$48.3 million during the same period the previous year. The utility says the earnings were slightly offset by losses in its infrastructure services and energy services divisions. [Read More](#)

IUPUI Partners With Malaysian University

IUPUI has signed a partnership agreement with Universiti Teknikal Malaysia Melaka, which aims to provide a framework for students, faculty



and researchers at both universities to participate in academic exchanges and research. Part of the deal includes new degree programs in which students can complete two years of work at each university. [Read More](#)

Foellinger Foundation Funds 'Great KIDS'

The Fort Wayne-based Foellinger Foundation has awarded a \$500,000 grant to an Allen County organization. Great KIDS Make Great COMMUNITIES aims to provide people and organizations that serve local youth with knowledge and resources. [Read More](#)

Edited by: [Andy Ober](#), [Alex Brown](#) and [Dan McGowan](#)

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Perspectives

Crowdfunding: Now Anyone Can Own a Skyscraper!

By: Evan Bedel, Financial Planner, Bedel Financial Consulting Inc.

Have you ever wanted to own a skyscraper? How about an entire apartment complex? Well, good news, now you can! And, you don't have to meet "accredited investor" requirements. How? It's called crowdfunding! [Read More](#)

Stocks

On Wall Street

Market Indexes at 1:15
Dow: 21,010.95 (+4.01)
Nasdaq: 6,094.57 (-6.19)
S & P: 2,397.83 (-1.46)
Oil: 46.10 (-0.67)

Next on Inside INdiana Business with Gerry Dick

The Weekend of May 12

Indiana groceries are becoming Hoosiers' new favorite spots to eat. In our Trendiana segment, we'll explore the growing trend of "grocerants." Tune-in Friday at 7:30 pm. on WFYI 1, 10 p.m. on WFYI 3 and Sunday at 11 a.m. on WTHR Ch. 13 in Indianapolis and streamed at [InsideIndianaBusiness.com](#) at 11 a.m. Eastern. Check local listings for other times around the state. [Broadcast Listings](#)

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Flagship Stations

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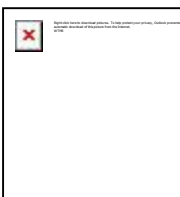


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From WTHR, Indiana's News Leader



- [Man Overdoses And Crashes Into Columbus House](#)
- [Delaware County Jail Wants Scanner to Stop Drug Smuggling](#)
- [Local Doctor Heads to Trial Accused of Overprescribing Narcotics](#)
- [Trump Tweet After NBC Story Attacks Rexnord For Moving Indiana Jobs](#)

*News and Perspective from
the Indiana Chamber*



Happy to Be Together

Gregory & Appel Insurance has been in business in Indiana for more than 130 years. The company earned the top ranking in the medium employer category of the 12th annual Best Places to Work in Indiana program. Team members value the opportunities to serve their clients and each other. *BizVoice* magazine has the story. [Read More](#)

An Angel Analysis For 2016

The Angel Resource Institute is out with its *Annual Halo Report*. Among the key findings: valuations down compared to 2015 (yet up significantly since 2012), syndications (angle groups partnering with others) on the rise and a lack of diversity in regard to investment in female and minority-led start-ups. [Read More](#)

All You Need on Worker Pay Topics

The *Indiana Employer's Guide to Wage & Hour Issues* provides valuable information on topics that impact all organizations. Among the key topics: Fair Labor Standards Act; exempt/non-exempt employees; overtime pay; wage garnishments and more. The fourth edition is in production. Pre-order your copy today. [Read More](#)

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Scott.A.Milkey

From: Arango, Courtney
Sent: Saturday, May 06, 2017 3:16 PM
To: Stephanie McFarland;Huge, Dan;Stark, Jim (IFA)
Cc: Dietrick, Andrew;Lopez, Danny;Bennin, Andre;Jankowski, Jane
Subject: Re: Google Alert - Indiana Finance Authority

Thank you!

Courtney Arango
Sent from a mobile device; please excuse typos.

From: Stephanie McFarland <mcfarlandpr@[REDACTED]>
Sent: Saturday, May 6, 2017 2:10:22 PM
To: Huge, Dan; Stark, Jim (IFA)
Cc: Arango, Courtney; Dietrick, Andrew
Subject: Fwd: Google Alert - Indiana Finance Authority

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FYI

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317.[REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Begin forwarded message:

From: Google Alerts <googlealerts-noreply@google.com>
Date: May 5, 2017 at 9:21:06 PM EDT
To: [mcfarlandpr@\[REDACTED\]](mailto:mcfarlandpr@[REDACTED])
Subject: Google Alert - Indiana Finance Authority

Google Alerts

Indiana Finance Authority

As-it-happens update · May 6, 2017

NEWS

[Indiana I-69 project, after S&P downgrade, falls further into junk](#)

Bond Buyer

S&P lowered the rating on the bonds issued on behalf of I-69 Development Partners LLC by the **Indiana Finance Authority** in 2014 to B-minus from ...



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Scott.A.Milkey

From: Stephanie McFarland <mcfarlandpr@[REDACTED]>
Sent: Saturday, May 06, 2017 2:10 PM
To: Huge, Dan; Stark, Jim (IFA)
Cc: Arango, Courtney; Dietrick, Andrew
Subject: Fwd: Google Alert - Indiana Finance Authority

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FYI

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317.602.1546 -- office
317.[REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Begin forwarded message:

From: Google Alerts <googlealerts-noreply@google.com>
Date: May 5, 2017 at 9:21:06 PM EDT
To: [mcfarlandpr@\[REDACTED\]](mailto:mcfarlandpr@[REDACTED])
Subject: Google Alert - Indiana Finance Authority



Indiana Finance Authority

As-it-happens update · May 6, 2017

NEWS

Indiana I-69 project, after S&P downgrade, falls further into junk

Bond Buyer

S&P lowered the rating on the bonds issued on behalf of I-69 Development Partners LLC by the **Indiana Finance Authority** in 2014 to B-minus from ...



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Scott.A.Milkey

From: Stephanie@McFarlandpr.com
Sent: Friday, May 05, 2017 4:31 PM
To: Vincent, Micah;Huge, Dan
Subject: Re: FW: Moody's debt medians report

**** This is an EXTERNAL email. Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email. ****

Dan, anytime we can demonstrate good fiscal stewardship, it's worth a shout out to the media -- Ed, Howey and Statehouse File will likely pick it up, at minimum. Just let me know if you want to do anything with it. I'm happy to pull together something short and to the point.

Steph

On May 5, 2017 at 1:31 PM "Huge, Dan" <DHuge@ifa.IN.gov> wrote:

Moody's Annual Debt Median Report. The report does reflect the elimination of ICC/LOS Debt as part of State's Net Tax Supported Debt.

Not sure we want to have a media blast like we did last year.

Thanks,

Dan Huge
Indiana Finance Authority
One North Capitol Ave., Ste 900
Indianapolis, IN 46204
317-234-2916
dhuge@ifa.in.gov

From: Pascarella, Mark D
Sent: Thursday, May 04, 2017 10:53 AM
To: Huge, Dan <DHuge@ifa.IN.gov>
Subject: FW: Moody's debt medians report

Assume you got this, but just in case

Mark D Pascarella
Director Of Debt Management
INDIANA FINANCE AUTHORITY
One North Capitol, STE 900
Indianapolis, IN 46204
(p): 317-234-2228
(e): MPascarella@ifa.IN.gov

From: Vizner, Julius [<mailto:Julius.Vizner@moodys.com>]
Sent: Wednesday, May 03, 2017 9:59 AM
Subject: Moody's debt medians report

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Thank you for the helping us get the information for your state.
Attached is our debt medians report.

Julius

.....
Julius Vizner

Assistant Vice President/Analyst
State Ratings Team
Public Finance Group
212.553.0334 tel
212.298.6073 fax
julius.vizner@moodys.com

Moody's Investors Service
7 World Trade Center at 250 Greenwich Street
New York, NY 10007
.....

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Scott.A.Milkey

From: stephanie@mcfarlandpr.com
Sent: Friday, May 05, 2017 12:04 PM
To: Huge, Dan;Arango, Courtney;Stark, Jim (IFA)
Subject: Fwd: Re: I-69

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My response to Yvette at Bond Buyer.

----- Original Message -----

From: stephanie@mcfarlandpr.com
To: "Shields, Yvette" <yvette.shields@sourcemediacom.com>
Date: May 5, 2017 at 11:56 AM
Subject: Re: I-69

Yvette, thanks for your email, and please do continue to check in as this story develops. At this time, there is nothing new to report other than the fact that construction does continue, and parties (IFA/INDOT and developer) are in discussions to reach a solution.

On May 5, 2017 at 11:51 AM "Shields, Yvette" <yvette.shields@sourcemediacom.com> wrote:

Hi Stephanie, I just got S&P I-69 downgrade and wanted to check and make sure there are no new developments in negotiations that the IFA can comment on since my last story or if you wanted to comment on the downgrade, again I know the IFA is not on the hook for the bonds.

Thanks.

From: stephanie@mcfarlandpr.com [mailto:stephanie@mcfarlandpr.com]
Sent: Monday, April 24, 2017 5:00 PM
To: Shields, Yvette
Subject: FOLLOW UP - INDIANA FINANCE AUTHORITY

Yvette, please see the statement from Dan Huge below. As for the \$4 million/\$27 million arrangement we discussed today, that does not need to be approved by the developer's bond holders because it's part of the terms of the original agreement. I hope this helps. Please send me any additional questions you may have. Thanks.

INDOT/IFA and the developer are in discussions regarding the design builder (Isolux Corsan) and, under a confidentiality agreement, exploring options in moving forward with the completion of I-69 Section 5. In light of Isolux's situation, I-69 Development Partners has agreed to fund \$4 million to cover construction cost through June, and the IFA is making a \$27 million milestone payment for work already completed to date.

These combined actions will ensure work continues on the road while viable options are explored and a new solution is determined over the next 60 days. -- Dan Huge, state public-finance director, Indiana Finance Authority.

Stephanie McFarland, APR

Senior Issue-Management Consultant
McFarland PR & Public Affairs, Inc.
211 S. Ritter Avenue | Suite I | Indianapolis, IN 46219
317-602-1546 ext. 2 | stephanie@mcfarlandpr.com

"This communication is intended solely for the addressee and is confidential and not for third party unauthorized distribution"

Scott.A.Milkey

From: Stephanie McFarland <stephanie@mcfarlandpr.com>
Sent: Friday, May 05, 2017 8:36 AM
To: Arango, Courtney;Huge, Dan
Subject: Fwd: Summit media
Attachments: winmail.dat; ATT00001.htm

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FYI

Stephanie McFarland, APR
Senior Public-Affairs Consultant
McFarland PR & Public Affairs, Inc.
317.602.1546 -- office
317. [REDACTED] -- cell (24/7)
stephanie@mcfarlandpr.com

Begin forwarded message:

From: "Dietrick, Andrew" <ADietrick@indot.IN.gov>
Date: May 5, 2017 at 8:08:04 AM EDT
To: "McGuinness, Joe" <JMcGuinness@indot.IN.gov>, "Flum, Sandra" <SFlum@indot.IN.gov>, "Rubin, Sarah" <SRubin@indot.IN.gov>, "Lemon, Janelle" <JLemon@indot.IN.gov>, "Stark, Jim" <jstark@indot.IN.gov>
Cc: "McFarland, Stephanie" (Stephanie@McFarlandpr.com)" <Stephanie@McFarlandpr.com>
Subject: Summit media

Mark Alisia from the star and Michael R from the HT are going to be here today. Star is doing research for a story on sec 5. A couple of other media outlets will be here as well.

Plz refer all sec 5 finance and contract questions to IFA or to me and I'll refer them to IFA.
Thanks.

Sent from my iPhone