



State of Tennessee

Justin P. Wilson, State Comptroller

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Tennessee's Debt Ratio Lowest in the Nation, Study Shows

One of the country's top bond rating agencies analyzed debt ratios in all 50 states and concluded that Tennessee's ratio is the lowest. The study, conducted by New York-based Fitch Ratings, uses a metric that is calculated by combining the state's net tax-supported debt and unfunded pension liabilities then measuring them against the state's personal income level. Tennessee's ratio of debt and pension liabilities to personal income was 1.8 percent. No other state had a ratio below 2.2 percent and four states had ratios above 20 percent.

Fitch plans to use the debt ratios as a factor in evaluating states' credit ratings. Favorable ratings from Fitch and the other major rating agencies can translate to lower interest rates when the state borrows money, resulting in savings for taxpayers.

Fitch released a similar report last year, in which Tennessee also had the lowest debt ratio.

"There's a simple reason why our state's debt rate is so low – we borrow a small amount of money relative to the size of our government and we repay it quickly," Comptroller Justin P. Wilson said. "That's a credit to our state legislators, who have managed our finances very wisely. They have helped keep the burden that future generations of Tennesseans will have to repay low."

"Legislators also deserve credit for adequately funding our state pension plan," Treasurer David H. Lillard, Jr. added. "Independent actuaries determine how much money we need to put into the pension plan each year to meet all of our obligations. Unlike some other states, our legislators have a history of following the actuarial recommendations. Also, the team that manages the pension fund's money has done an excellent job of maximizing investment returns during difficult economic times."

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