

# Where the Bonds Are: Largest Municipal Debt Obligors by Sector

Identifying the most Active Names  
Found in the Municipal Bond Market

November 15, 2023



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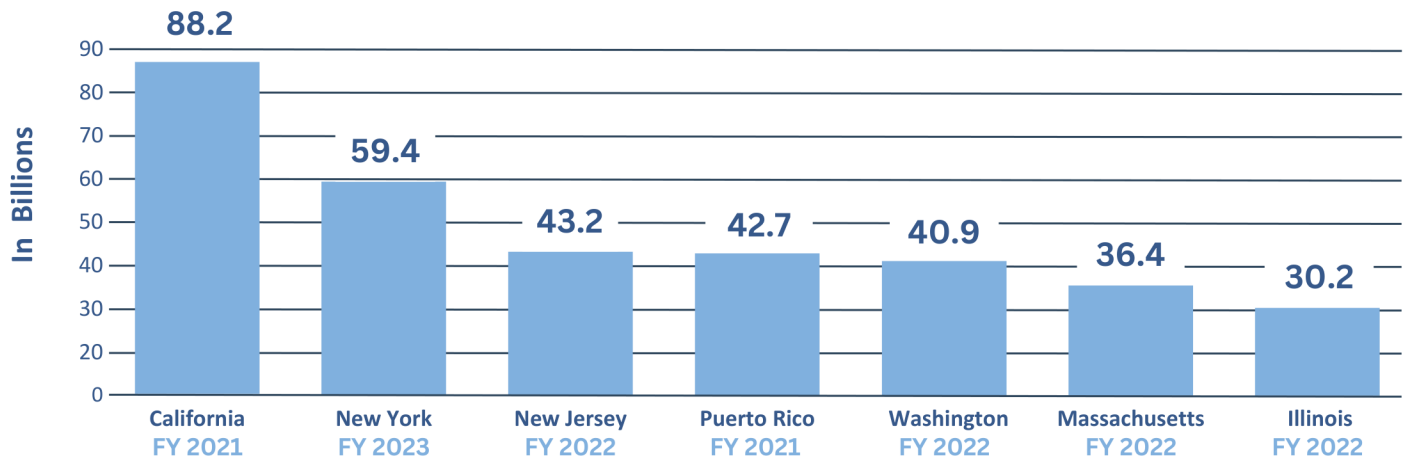
## Where the Bonds Are

When evaluating trading activity, a substantial portion of the most actively traded municipal bonds in the market is associated with obligated entities holding the highest levels of outstanding debt. While increased debt loads typically pose a credit risk, it's worth noting that they can also carry a beneficial aspect in terms of trading and pricing dynamics. This is attributable to the heightened likelihood that the market will experience improved price transparency concerning bonds backed by the same credit security. Since all trading activity must be reported promptly to the public through the MSRB EMMA database, traders and investors benefit when trades on the same name and security occur more often. Trading levels are impacted by market and structural factors, yet for many investors, the initial starting point lies in credit quality assessment. Larger issuers offer a pricing transparency advantage compared to the tens of thousands of smaller sized bond issuers in the municipal market that trade infrequently.

Amid the largest municipal bond issuers in the municipal bond market are the state of California, New York City Transitional Finance Authority (The Future Tax Secured), New York City Water & Sewer, and the University of California. These entities serve as valuable bellwether indicators for traders and investors monitoring pricing movements in the municipal market. In this report, Merritt data in CreditScope™ was used to identify the seven largest same credit securities or obligors across fourteen municipal credit sectors.

## State

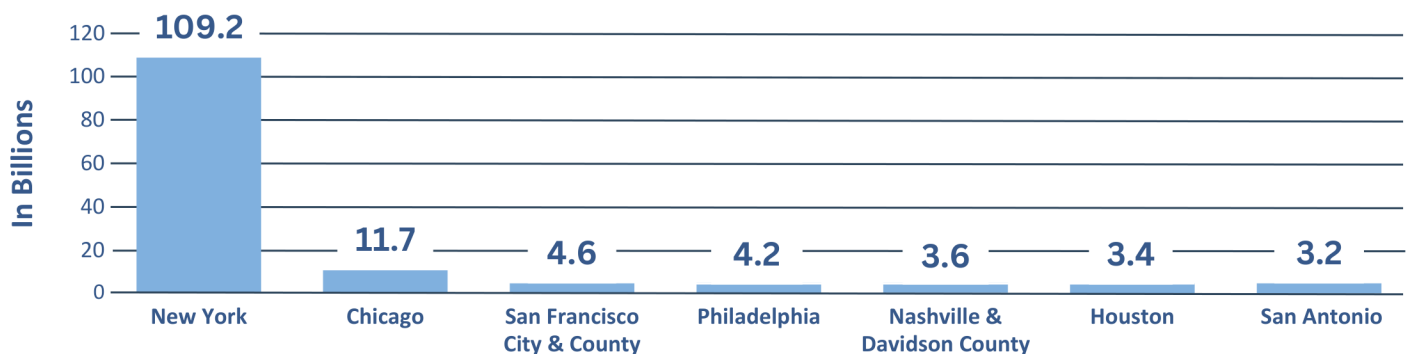
by Total Direct Debt Outstanding of Obligor Based on Recent Fiscal Year-End Reported



According to its last audited fiscal year, the state of California has more total direct debt outstanding than any other state or territory in the nation at over \$88.2 billion. New York state placed a distant second at nearly \$59.4 billion outstanding while New York's next-door neighbor New Jersey had nearly \$43.2 billion outstanding at the end of their most recent audited fiscal year. These totals do not include pension or OPEB liabilities. Texas and Florida have 75% and 53% of California's population base, respectively, but only 26% and 14% of California's total direct debt. Texas and Florida do not even rank in the top seven states and territories when it comes to Total Direct Debt.

## City

by Long Term Debt Outstanding of Obligor Based on Fiscal Year-End 2022

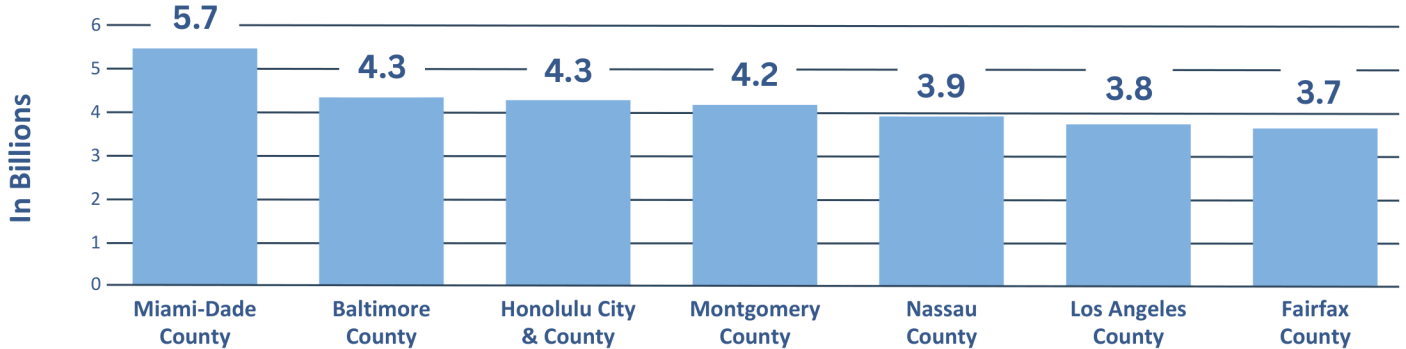


New York City surpasses all other cities by a significant margin in terms of its total outstanding direct debt burden. At the end of its fiscal year 2022, New York City posted total indebtedness of about \$109.2 billion, well above the second-highest city of Chicago. Although New York City's population is 3.2 times more than Chicago's, its total direct debt is nine times more. Partially responsible for the imbalance is that New York City's debt structure is escalated by an extra share of debt issued for functions normally covered in other cities by separate local government entities, such as schools. Los Angeles, which is the nation's second-largest city, didn't rank among the top seven cities by total direct debt; it came in ninth at \$2.6 billion.

New York City has nine times more total direct debt than the second highest city, Chicago, and twenty-four times more than San Francisco. Among the seven highest debt cities, New York City, Chicago, and Philadelphia have more total direct debt than they have net governmental activities fixed assets. This implies that the debt load extends beyond the useful life of the assets, a situation that can be perceived as an unsatisfactory debt policy.

## County

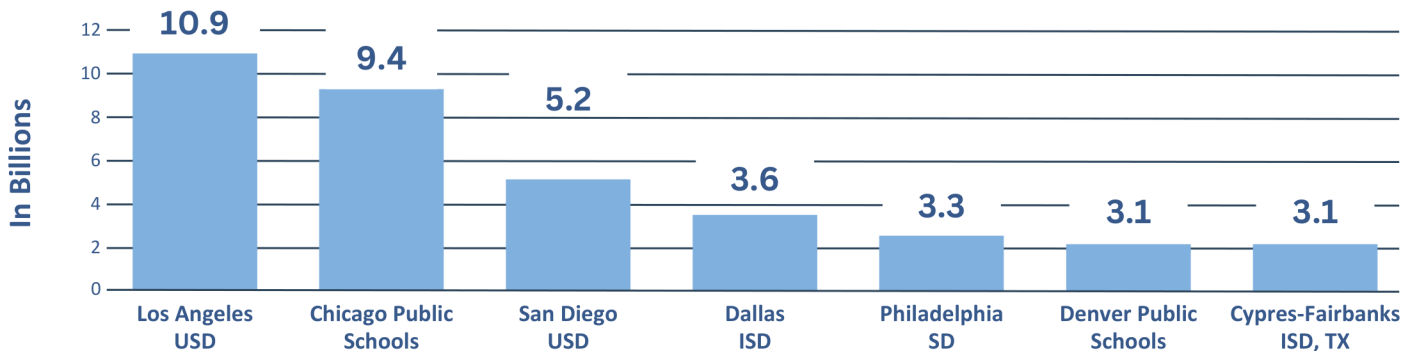
by Long Term Debt Outstanding of Obligor Based on Fiscal Year-End 2022



The consolidated Miami-Dade County tops the nation's counties when it comes to the total dollar amount of direct debt outstanding. At the end of its fiscal year 2022, Miami-Dade posted indebtedness of about \$5.7 billion, above second-place Baltimore County and third-place debt issuer Honolulu City and County. Based on county populations, Baltimore County is smaller than any other of the largest counties in the nation, with its 2022 population of 850,634. Having the most long-term debt outstanding might imply that a government was maximizing dollars to expand and rebuild infrastructure. However, Miami-Dade County's high long-term debt to net fixed-income ratio of 1.1 times suggests otherwise, with more debt outstanding than undepreciated capital assets.

## School

by Debt Outstanding Based on Fiscal Year-End 2022

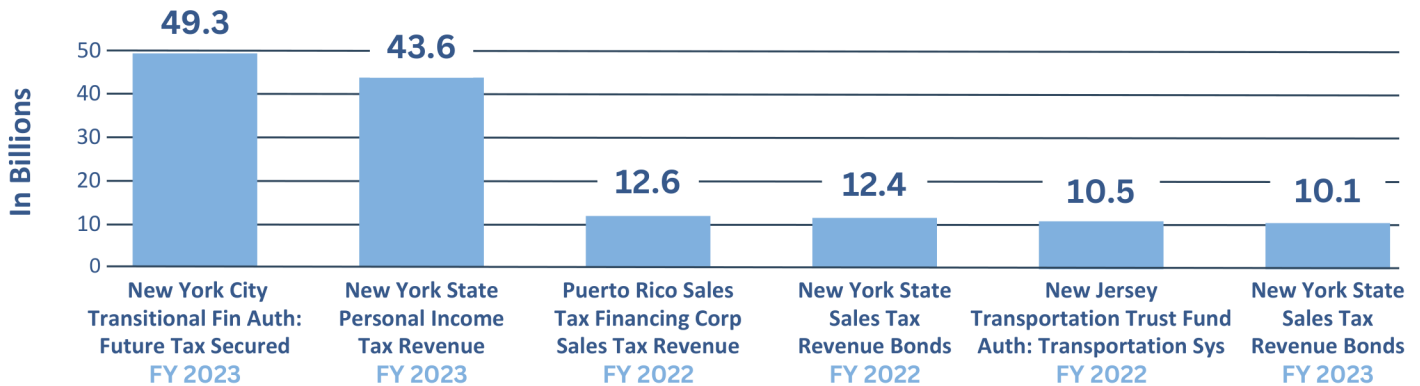


The nation's two biggest school districts are also the largest bearers of outstanding total direct debt. Los Angeles Unified School District and Chicago Public Schools ended the 2022 fiscal year with \$10.9 billion and \$9.4 billion outstanding, respectively. San Diego has the third-highest debt load. Cypress-Fairbanks Independent School District, a suburban school district of Houston, Texas, is reflective of many fast-growing population school districts in that state that have relatively high debt loads.

Municipal bonds backed by public school districts represent one of the largest credit categories in the tax-exempt market based on the number of different issuers. The seven school districts with the most long-term debt outstanding carry 9.3% of the 3,200 school districts tracked by Merritt Research Services. The median level of all school district debt is \$53 million while the largest issuer, Los Angeles Unified School District, has an outstanding balance of \$10.9 billion.

## Dedicated Tax

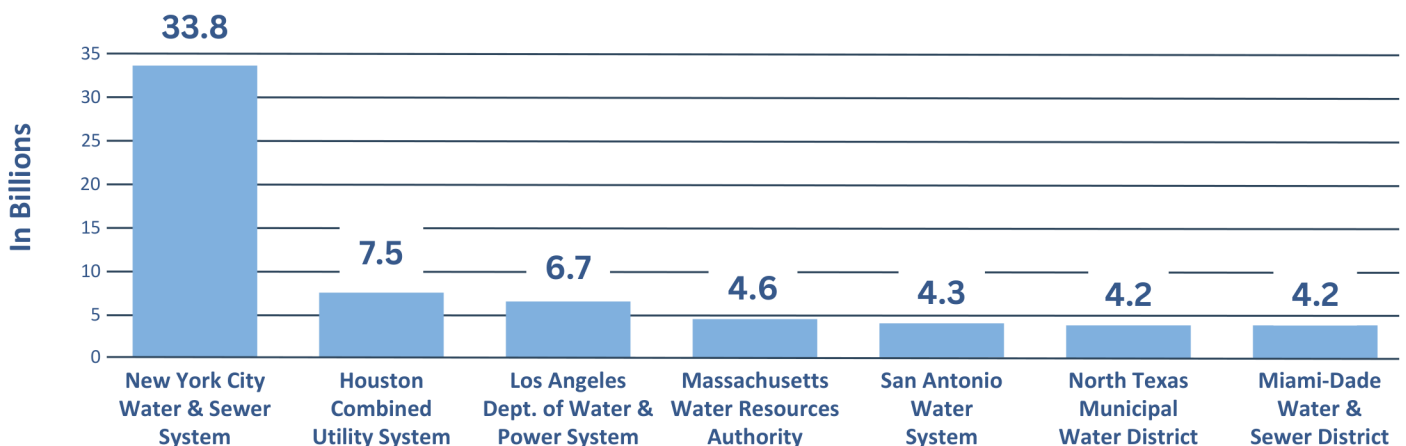
by Program Debt Outstanding of Obligor Based on Recent Fiscal Year-End Reported



New York City and state issuers of bonds lead all other issuers in the Dedicated Tax Sector when it comes to program debt on their books. Dedicated Tax municipal bonds are defined as being secured by designated taxes and revenues but are not the general obligation of the government. The growth of dedicated tax debt emerged after New York City's debt crisis in the late 1970s when governments looked to keep their traditional general obligation debt burdens low and not reliant on property taxes. For fiscal year 2022, the New York City Transitional Finance Authority bonds, backed primarily by income taxes, led all dedicated tax-backed bonds in this municipal bond sector. New York State Personal Income Tax Revenue secured bonds ranked second in debt. Dedicated tax municipal bonds represent a hybrid form of municipal bond, combining the structural security features of a revenue bond structure coupled with a security pledge of specific taxes. They are often issued by governments with limited or no capacity to issue new general obligation debt.

## Water & Sewer

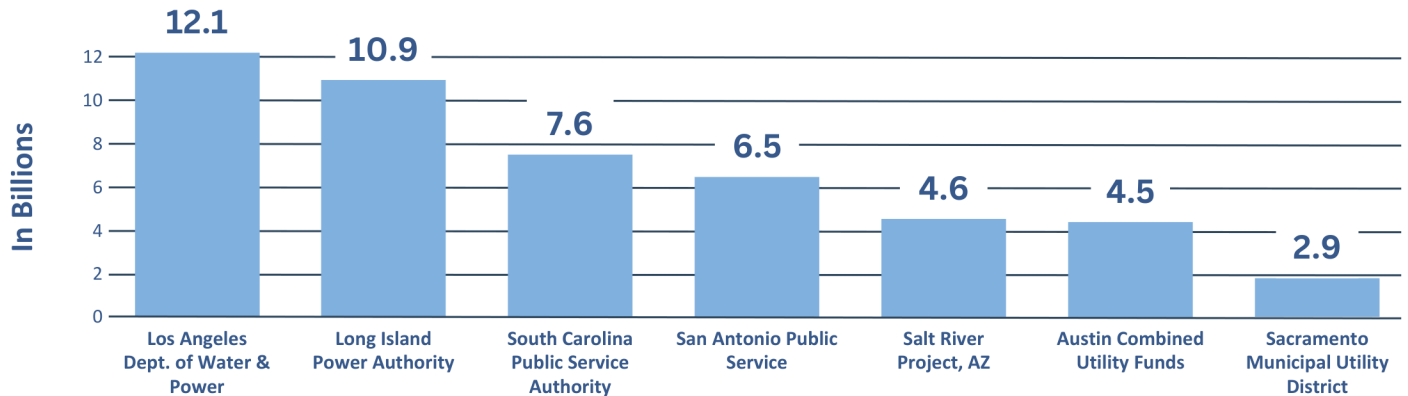
by Long Term Debt Outstanding of Obligor Based on Fiscal Year-End 2022



The New York City Water and Sewer System dominates the Water and Sewer category when it comes to the amount of outstanding revenue bonds on its books. With \$33.8 billion outstanding, New York City Water & Sewer's debt accounted for approximately 6% of all municipal Water and Sewer debt outstanding in the 2022 fiscal year. That makes this issuer one of the most likely essential purpose revenue bonds available in the market. The Houston Combined Utility System follows as a distant second at \$7.5 billion.

## Retail Electric

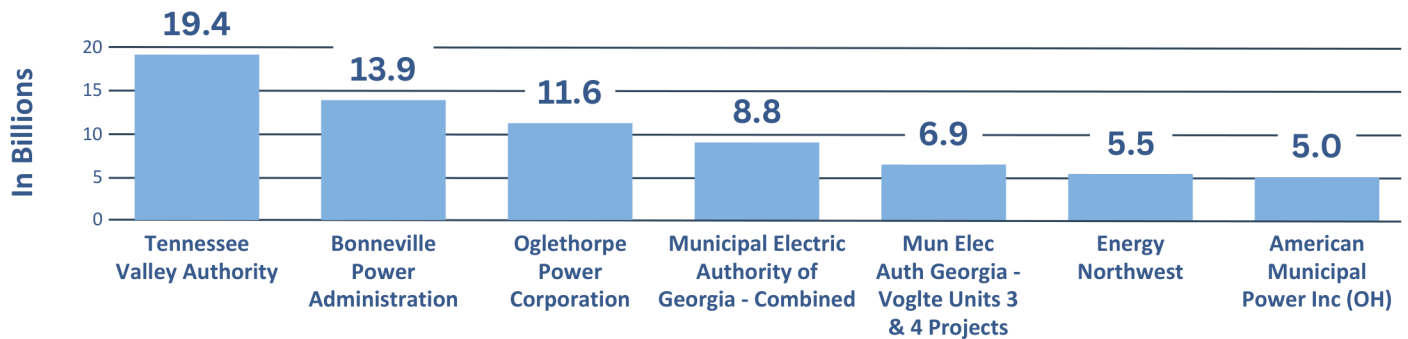
by Long Term Debt Outstanding of Obligor Based on Fiscal Year-End 2022



Los Angeles Department of Water and Power’s debt for its power system leads all other municipal bond Retail Electric sector issuers when it comes to the amount of outstanding debt on its books at the end of fiscal year 2022. New York’s Long Island Power Authority was not far behind at nearly \$11 billion.

## Wholesale Electric

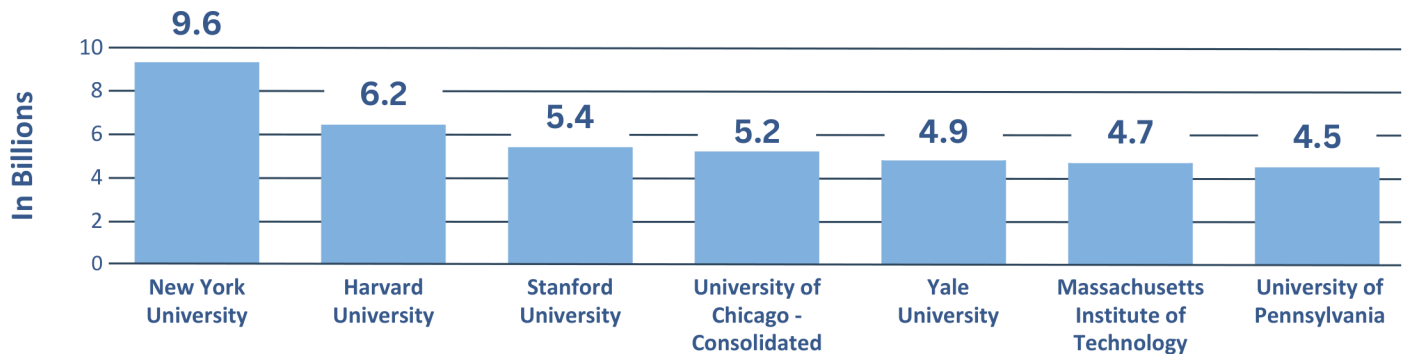
by Long Term Debt Outstanding of Obligor Based on Fiscal Year-End 2022



Although the two largest outstanding debt issuers in the “Wholesale Electric” sector are the Tennessee Valley Authority and the Bonneville Power Administration, they are technically municipal entities. They are better characterized as federal agency public power obligors that may be indirectly involved in the municipal bond market. Currently, the three most prominent public power issuers of municipal bonds are situated in Georgia, playing a substantial role in the nation’s latest venture into nuclear power generation for the Vogtle power plants—namely, Oglethorpe Power and two distinct issuing entities affiliated with the Municipal Electric Authority of Georgia.

## Private Higher Education

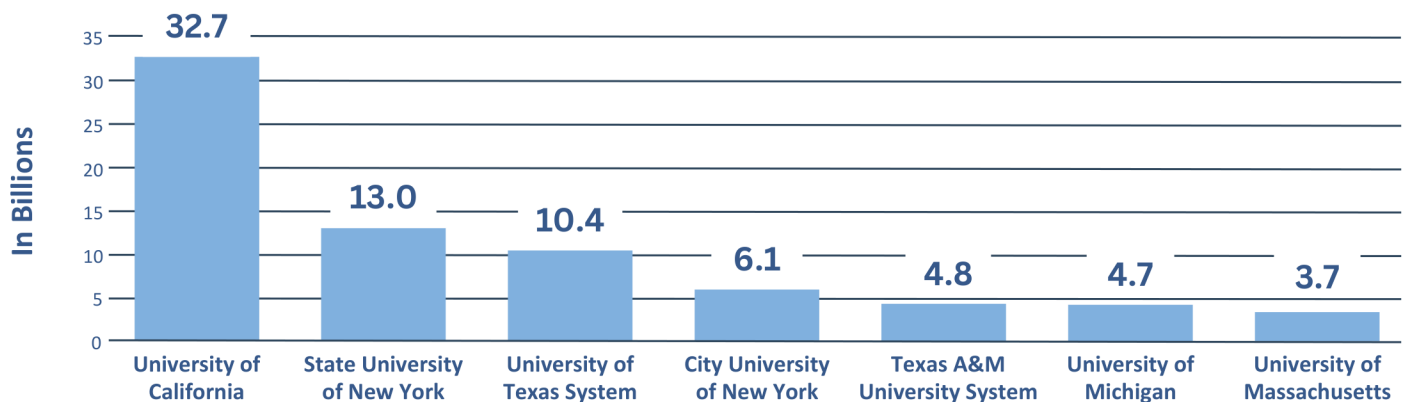
by Long Term Debt Outstanding of Obligor Based on Fiscal Year-End 2022



New York University ranks first in the nation when it comes to the total dollar amount of long-term debt outstanding. At the end of its fiscal year 2022, New York University posted indebtedness of about \$9.6 billion, well above second-place Harvard University and third-place Stanford. New York University's long-term debt accounted for 6% of all debt outstanding in the Private Higher Education municipal bond credit sector. A number of New York state and city bond issuers seem to have in their DNA an affinity for lots of debt. The Private Higher Education municipal credit sector is no exception with New York University leading all other private colleges and universities with the most debt outstanding.

## Public Higher Education

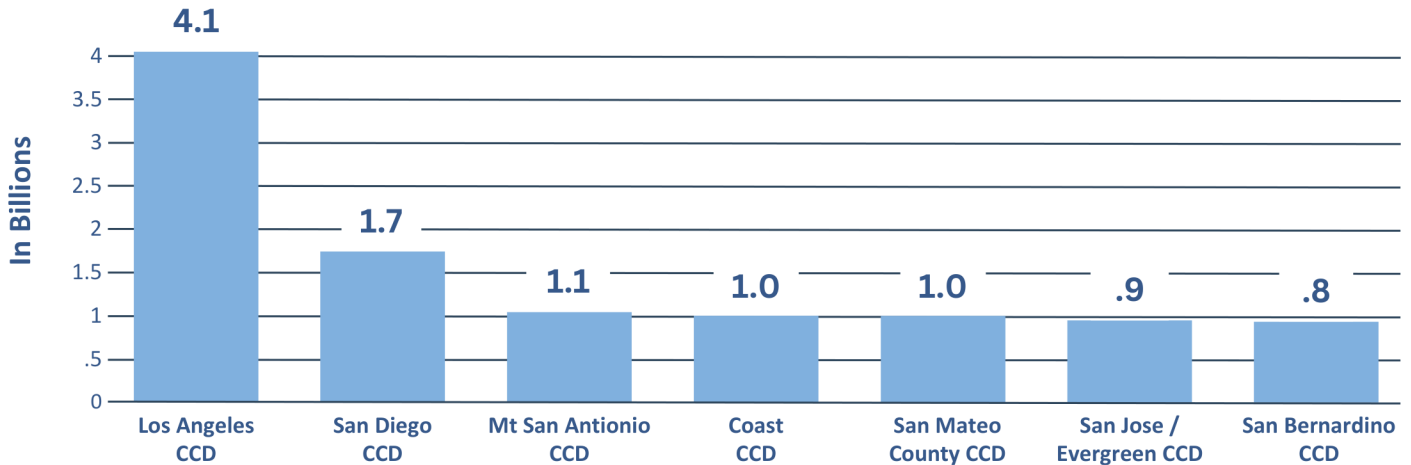
by Debt Outstanding Based on Fiscal Year-End 2022



You are more likely to find Public Higher Education bonds, secured by designated general revenues of the University of California, trading in the market than any other university. With over \$32 billion in outstanding long-term debt at the end of fiscal year 2022, the University of California has almost 3 times more debt on its books than the next two highest debt-laden public universities or systems, The State University of New York and the University of Texas System. Knowing which municipal bond issuers have the most debt outstanding by the same obligated party helps investors get better insight on price movements and valuations. The University of California System, which has \$32.7 billion in debt, easily has the most debt outstanding than any other public university, according to its most recent audit.

## Community College

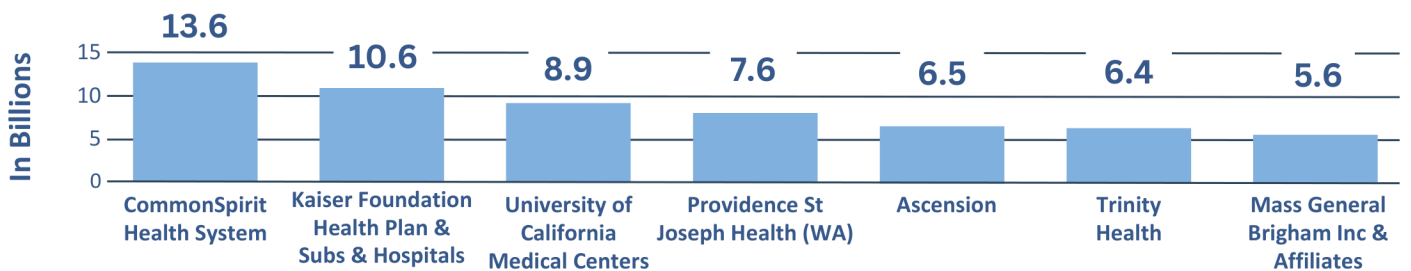
by Long Term Debt Outstanding of Obligor Based on Fiscal Year-End 2022



California dominates the list of community colleges with the most long-term debt outstanding. All seven of the largest debt issuers in the Community College municipal bond sector are situated in the Golden State. The biggest is the Los Angeles Community College with long-term debt amounting to \$4.1 billion, which represents about 9% of all debt related to the Community College municipal bond sector. Community College total long-term debt in California (\$30 billion) accounts for about 63% of all long-term community college debt in the U.S. Total Community College debt in Texas ranks a distant second with 15% of the national total.

## Hospital

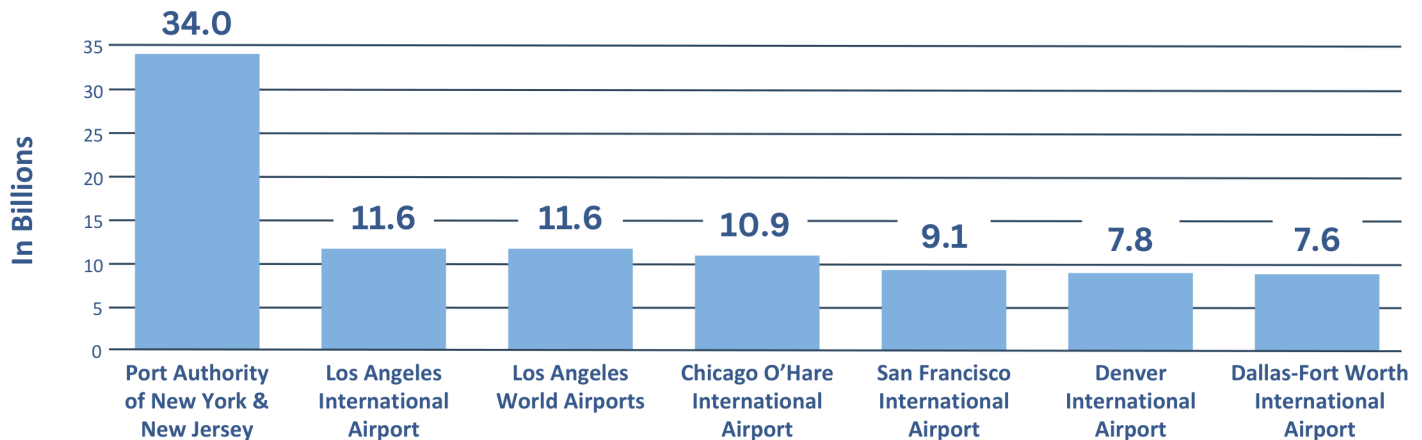
by Long Term Debt Outstanding of Obligor Based on Fiscal Year-End 2022



CommonSpirit Health System, a nationwide system of over 120 hospitals, has the most outstanding long-term debt (\$13.6 Billion) in the not-for-profit municipal bond Hospital sector. The Kaiser Foundation, which encompasses both hospitals and a multi-state health insurance plan, has the second-highest long-term debt tally. The University of California Medical Centers has the third largest obligations on its books. All of the top seven Hospital-type municipal bonds on this sector's list are associated with systems and are not stand-alone independent hospitals.

## Airport

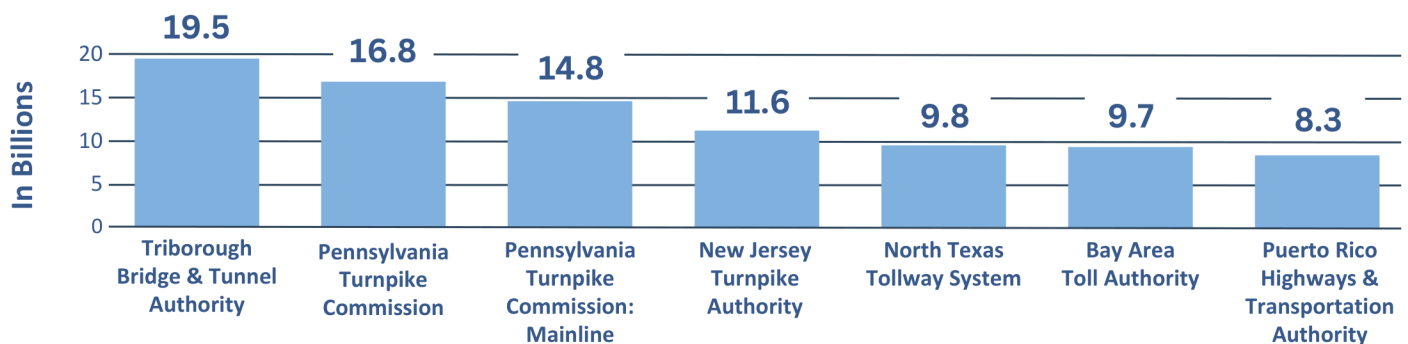
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The Port Authority of New York and New Jersey led the Airport Sector for the 2022 fiscal year in the most long-term debt outstanding with nearly \$34 billion. As the nation's second-largest city, Los Angeles's main airport, Los Angeles International Airport, also places second among airports in debt outstanding. The more debt, the more likely the municipal bond market will see activity in its securities. The seven largest issuers of airport municipal bonds accounted for 59% of the total long-term debt outstanding of all airports in fiscal year 2022. The nation's busiest airport, Atlanta Hartsfield International Airport, had only \$3.2 billion of long-term debt on its books at the end of the same fiscal year.

## Tollroad

by Long Term Debt Outstanding of Obligor Based on Fiscal Year End 2022



The Triborough Bridge and Tunnel Authority has more debt outstanding than any other Tollroad sector obligor. The Pennsylvania Turnpike Commission has two separate indenture credit obligations for a combined \$31.6 billion in the municipal market. The seven largest municipal bond Tollroad issuers (by unique security structure) account for 57% of all outstanding long-term debt in the sector. The top ten obligated issuers make up 68% of the total long-term debt loads for the sector.

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