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So. What's a credit downgrade to your state government mean, anyway?

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In some ways, the great Pennsylvania budget battle of 2017-18 has been the year of the credit downgrade.

Almost from the beginning of Gov. Tom Wolf's budget unveiling last winter, we've been treated to regular predictions of a credit-downgrade, as a state, if we did *this* thing, or did not do *that* thing.

And that, we've been warned, would be the worst of all things.

Now it's happened. On Wednesday, S&P Global Ratings formally lowered its rating for Pennsylvania's future general obligation bonds to A+ (It's great for school; not so much for impressing Wall Street.)

The sun still shone.

So what should we really make of this news? PennLive is here to help:

1. To your most pressing question, this does not take us out of the running for Amazon's HQ2.

It has been a real worry around the Capitol this week.

"This is not a good story for Pennsylvania. It's not a good story when we're trying to recruit businesses and industries to Pennsylvania as a good place to operate," said Senate Majority Leader Jake Corman, R-Centre County.

But according to Princeton, N.J.-based site selection expert John Boyd, the downgrade is not likely a show-stopper.

How do we know this? Chicago.

It has won more than its share of corporate recruitment battles even as the city (homicide rates) and state of Illinois (budget dysfunction that makes Pennsylvania look like the fiscal equivalent of a Swiss watch) were eviscerated in the media.

Boyd says the Chicago's success came down to three unalterable strengths: Public transportation that allows for easy regional mobility; a workforce for the future in terms of a steady supply of milliennials; and O'Hare Airport's access to the world.

So, in his view, "Pittsburgh and Philadelphia's pitch (to Amazon - or most other major employers seeking sites) won't be killed by that Standard & Poor's adjustment."

2. Will the state still have access to credit?

Yes.

One interesting thing about this is that while Pennsylvania's A+ rating is better than only two other states (Illinois and New Jersey), A+ is still an investment-grade rating.

States in general are a highly-rated segment of the bond market because of their size, diversity and ability to raise taxes. So while this downgrade hurts our collective pride, it's still a serviceable bond rating.

"A-plus is considered medium investment grade," noted Carol Spain, the lead analyst for public finance at S&P Global. "It's actually a strong rating."

No previously approved plans for highway repairs, bridge replacements, prison updates, urban redevelopment, college campus improvements or other good works should be derailed by Wednesday's news.

How does it hurt, then?

That lower credit rating generally means that the market of prospective buyers for Pennsylvania's bonds will now be a little softer, requiring the bonds themselves to carry slightly higher interest rates to be sold.

Matt Fabian, a public-sector bonds expert for Municipal Market Analytics Inc., said Wednesday as a practical matter that will cost the state and its taxpayers an added $2.5 million to $5 million in annual debt service for every $1 billion borrowed.

Gov. Tom Wolf's office said Wednesday that the state had planned $2.25 billion in new borrowing in this fiscal year.

It's not clear if the credit downgrade would affect all of that borrowing, however, as part of it is the anticipated advance on the state's future tobacco settlement payments.

The state also has planned another $1 billion in refinancing of existing bonds.

It's easy to see that the downgrade could cost $10 million in taxpayer funds in total, and that's a lot of money.

But some fiscal conservatives might argue that's a cost worth bearing in a $32 billion budget in order to have kept the state's personal income taxes level through a major recession, a major work-out of problems with the state pension systems and spiralling public health care costs.

That, of course, depends on your perspective. To Gov. Wolf, "today's news should be a wake-up call to come together and end this (budget stalemate) now."

4. Why did we get the downgrade?

According to S&P, the downgrade was based on the cumulative effect of a chronic gap between expenses and revenues that has gradually weakened the state's cash position to the point where this month, for the first time in memory, the state has had to delay certain payments.

Making matters worse, Spain wrote, the published plans to close the remaining deficit haven't inspired confidence about the near-term future.

Take that tobacco borrowing, for example.

It's actually a time-tested mechanism that has been used by other states nearly 20 times to achieve various fiscal objectives, and again, many here may rather see that than a tax increase.

But, in S&P's world, borrowing to cover a deficit created by "a misalignment of ongoing revenues and expenditures... does not exemplify strong budget management practices."

Still, Spain added, it is better for the state "than an accumulation of unpaid bills."

So. End of the world?

Apparently not.

But it is a form of civic embarassment, and a reminder that, whatever else we think we have going for us - great colleges and universities; great location on the Eastern seaboard; abundant energy supplies - there are serious problems to fix, too.

As MMA's Fabian put it Wednesday, the downgrade "is a symptom, but not the disease. The state needs to raise its damn revenues."