

Bond Case Briefs

Municipal Finance Law Since 1971

S&P Medians And Credit Factors: Maine Municipalities And Counties

Table of Contents

- Overview
- Rating Changes And Distributions

Overview

Maine local government (LG) ratings remain stable, in S&P Global Ratings' view, characterized by strong wealth and income indicators, low unemployment rate, and generally strong budgetary flexibility supported by positive financial performance. Overall, we do not expect any significant changes to Maine LGs' credit quality over the next year.

Supporting Maine local governments' credit quality are low pension costs, with almost no other postemployment benefits (OPEB) liabilities. Most LGs contribute to the Participating Local Districts Plan, administered by the Maine Public Employees Retirement System, which is funded at 83% as of fiscal 2018. The plan's good funded ratio has kept pension costs manageable for LGs. In addition to manageable retirement costs, LGs continue to benefit from an overall stable economy experiencing modest employment growth and increases in assessed values (AVs) over the past few years, which have contributed to generally strong budgetary performance. However, we believe the economic growth experienced by LGs will be challenged by aging workforce participation and slow population growth that is expected to remain among the lowest in the nation over the next 10 years. In addition, we believe many Maine LGs will continue to face long-term climate change related risks due to rising sea levels, which could require further investments in infrastructure projects and sustainability initiatives requiring increases in property taxes, higher debt burdens, use of reserves, or a combination of all three. Furthermore, we believe future AV growth could be hampered by federal caps on the deductibility of state and local taxes that could weaken local revenue sources and population rates especially given the large number of second-homes throughout the state.

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