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S&P Credit Conditions: In The Mist Of Mixed Economic Signals, U.S. State And Local Credit Quality Remains Strong

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Despite some indications of a weakening economy at the national level, state and local government credit quality has not shown any signs of broad deterioration. States continue to project revenue growth, and local revenues also appear to be on solid footing. Signs that we typically look for to indicate economic slowness, such as an increase in Medicaid enrollees or falling sales tax revenues, haven't materialized and therefore the end of 2019 looks to be on track for states and locals.

Even with cautious revenue projections, most states expect that fund balances will be maintained or grow in fiscal 2020, helping to project stability over the near term. Supported by this solid financial backdrop from states, local government credit quality remains stable with limited signs that state governments intend to cut aid or otherwise negatively impact local government operations. Overall we expect most local governments will be able to weather the changes; however, a confluence of events such as a weakening economy and a cyber- or weather-incident would result in a different scenario.

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