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S&P U.S. Local Governments Credit Brief: Florida Municipalities, Counties, And School Districts

Overview

Florida municipalities, counties, and schools (or local governments [LGs]) have demonstrated stable credit quality in recent years, which we believe is supported by continued economic development and growth despite the recent pandemic, supply chain disruptions, and a tight labor market that has affected local government portfolios nationwide. S&P Global Ratings expects credit quality for Florida LGs to remain stable in the near term despite the shallow recession predicted for the first half of 2023, due in large part to the added financial flexibility most of the portfolio has realized subsequent to injection of federal stimulus funds during the pandemic and ongoing economic development. Employment growth in Florida exceeds the national rate. Recovery in the leisure and hospitality sector was achieved during the last two years due to stronger domestic visitor activity, while international visitor activity remains depressed compared with pre-pandemic levels. All the while, business and professional services, financial, and information sectors continue to expand. Florida's unemployment rate has continued to trend below the national rate, at 2.7% as of October 2022, whereas the annual population growth at 1.9% has exceeded the national rate of 0.4% during 2022.

S&P Global Ratings maintains ratings on 101 LGs: 22 schools, 19 counties, and 60 municipalities. Overall, Florida LG credit quality remained stable during 2022, with only 1% experiencing rating movement. Two LGs within the portfolio experienced one-notch upgrades. Hernando County's upgraded rating reflects material improvement in reserves, coupled with stronger financial management policies and practices, whereas Seminole County's credit quality improvement reflects positive operations and economic growth within the county, supported by robust and forward-looking policies and practices. In addition, the portfolio realized one outlook revision, for Indian River County School, to stable from negative due to the district's improved financial profile during the past two years as a result of prudent expense management and revenue growth. The majority of the ratings have a stable outlook, with Winter Haven the only credit on positive outlook due to improving per capita market values, which we expect will continue to support a strong economic profile, while Hillsborough County School District is the only credit on negative outlook, reflecting uncertainty in the district's ability to balance recurring revenues and expenditures, without federal stimulus support, while facing expenditure uncertainty from labor contracts.

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