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## **S&P: North Dakota Municipalities' Credit Quality Could Suffer if Oil Prices Stay Low**

Standard & Poor's Ratings Services recently affirmed its 'AAA' issuer credit rating with a stable outlook on the state of North Dakota, signifying our confidence that the state is well-prepared to withstand the ongoing volatility in global oil prices. But for local governments in North Dakota's Bakken Shale region, which experienced a period of rapid revenue and expenditure growth prior to the oil price slump, the recent decline in oil prices may have more immediate negative consequences. Cities like Williston, Dickinson, and Minot could begin to experience revenue pressures in the second half of 2015 and 2016 as declining oil-industry activity reduces sales-, income-, and property-tax revenues. A decline in oil activity could contribute to a decline in state taxes, but the impact would likely be greater for local governments whose economies are concentrated in the oil industry.

Many of the issuers we rate have reported no slowdown in economic activity yet in 2015, and layoffs in the oil industry in North Dakota have been limited. Well completion and maintenance are currently contributing to overall consistent employment levels, although growth may not be at the same rapid pace as in recent months. We have not taken any rating actions yet, but we do believe that credit quality could decline if economic activity slows.

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