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## **Moody's: U.S. State and Local Government Outlooks are Stable for 2016.**

New York, December 04, 2015 — The 2016 outlook for both US states and local governments remain stable as the continuing recovery of the US economy drives moderate tax revenue growth, Moody's Investors Service says in two new annual outlook reports.

State tax revenue should rise 4%-5% in 2016. While this is slightly below last year's forecast, it is consistent with the post-recession average.

However, regional challenges will cause economic and revenue performance to vary across the country. Oil and gas producing states, particularly those with budgets heavily reliant on the sector, could be forced to reduce their budgets and lower their forward revenue assumptions.

Other pressures to state budgets include K-12 education, Medicaid, and infrastructure maintenance.

"Even with slower revenue growth and headwinds from rising spending costs, we expect most states will successfully keep their financial positions in balance with prudent budgeting," Kenneth Kurtz, a Moody's Senior Vice President, says in "US States 2016 Outlook - Moderate Revenue Growth Supports Fiscal Stability for Most States."

Property taxes, which are the primary source of most local government revenues, are expected to improve by 2%-3% amid local tax base growth. Though still below prerecession growth of 4%-5%, some local governments are limited by tax caps and slower-than-expected recoveries.

In addition, the stable outlook for local governments is supported by an increase in median fund balances. Fund balance levels indicate the financial resources a local government has available to meet future contingencies, Moody's says, and currently median fund balances are higher now than in 2008.

Unfunded pension liabilities and other fixed costs remain a long-term challenge for some local governments, however.

"Net pension liabilities will continue to grow in 2016, particularly given weaker June 30, 2015 investment returns and because local governments' annual pension contributions are often below actuarial requirements," David Strungis, a Moody's Analyst, says in "US Local Governments 2016 Outlook - Growing Property Tax Revenue and Improving Fund Balances Underpin Stable Outlook."

Moody's outlooks reflect its expectations for the fundamental financial and economic conditions in a sector over the next 12-18 months.

The reports are part of a series of outlooks on a wide variety of sectors globally published by Moody's. For other reports in the series, go to [www.moody.com/2016outlooks](http://www.moody.com/2016outlooks).

The state outlook is available to Moody's subscribers [here](#) and the local government outlook is

located [here](#).

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