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Bad Credit News.

While the overall number of government entities that defaulted on their debt in the past couple of years has remained virtually unchanged (hovering around 50), those rated by Moody's Investors Service have seen an uptick in defaults — from zero in 2014 to four in 2015.

According to a new Moody's report, the four defaults in 2015 were Single Family Mortgage Revenue Bond in Cook County, Ill.; Dowling College (which closed its doors Friday) in Long Island, N.Y.; Puerto Rico Public Finance Corporation; and Cardinal Local School District in Ohio.

In addition, the total percentage of credits that Moody's rates at junk status has doubled over the past five years — from 0.4 percent to 0.8 percent. The rate of junk bonds, however, has significantly decreased from 2014, when 1.6 percent of credits were rated below investment grade by Moody's.

The Takeaway: Municipalities are facing big budget constraints driven by higher expenses and revenue growth that can't keep up. That difficult combination has contributed to an increase in struggling municipalities, and there's no sign these long-term forces pressuring the public sector will abate, said Moody's Senior Vice President Al Medioli.

Moody's is not alone in this warning. Last month, one analyst said that a significant portion of municipal issuers are worse off than they were at the end of the Great Recession — a fact he blames on governments' inability to balance their revenue and spending.

Still, Medioli said, one positive story is that most municipal governments reacted to the recession by making significant budget adjustments. As a result, "Tax bases and fund balance reserves have broadly recovered to pre-recession levels," he said, "and in some cases strongly so."

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