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Fitch Ratings: U.S. States Eye Midterm Election Outcomes

Fitch Ratings-New York-31 October 2018: Next week's midterm elections will determine who will lead states in the coming years, with voters also deciding the fate of wide-ranging initiatives that are relevant for state, health care and public power credits, according to Fitch Ratings in a new report.

Votes for governor in 36 states and the majority of state legislative seats will be determined next week. Although Fitch rates to fundamentals rather than the political cycle, a material change in fiscal policy and/or increased or reduced contention in financial decision-making can be relevant for credit performance, particularly if and when the broader economy slides into recession. Due to biennial cycles, most states will be debating budgets in 2019.

Voters in several states are considering limits on revenue raising powers, a trend that Fitch notes with concern because it reduces operating flexibility. States to watch in this area include California and Florida.

Medicaid expansion, a proven boost for health care providers in expansion states, will come to the forefront for voters in Idaho, Montana, Nebraska, and Utah, who are weighing in on Medicaid expansion under the ACA.

The broader wildcard headed into next week is party control at the federal Congressional level, which is relevant for state credit. 'Uncertainty at the federal level, particularly as it relates to Medicaid funding and tax and trade policy, continues to be a key risk for states,' said Managing Director Laura Porter. 'More clarity about future federal policy direction would support more informed forecasting and policymaking at the state level.'

'November State Election Results to Watch' is available at 'www.fitchratings.com'

Contact:

Laura Porter
Managing Director
+1-212-908-0575
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Karen Krop
Senior Director
+1-212-908-0661

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@fitchratings.com

Additional information is available on www.fitchratings.com

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