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S&P: As COVID-19 Grips U.S. State Finances, Some Budget Debates Will Continue Well Beyond The Deadline.

Key Takeaways

- States' uncertainty about their finances due to COVID-19 and the recession is likely to cause some to delay action on fiscal 2021 spending plans beyond the July 1 fiscal start.
- 12 states have yet to enact a full-year fiscal 2021 budget. Reasons include compressed budget negotiations in a shortened legislative session, prioritizing closing current-year budget gaps, and waiting for updated economic and revenue estimates.
- Several have passed or plan to pass short-term or interim budgets until the revenue, expenditure, and federal aid picture comes into sharper focus, which is not uncommon during recessions.
- While late budget enactment is rarely a good sign, it is not necessarily an immediate threat to credit quality. Many states have procedures to keep operations going and protect debt service.

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