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Economic Boost From Stimulus Seen as States and Cities' Best Bet.

- **Federal package has no direct aid to cities and states**
- **Municipal governments will feel the recovery unevenly**

The federal stimulus passed by Congress this week doesn't include any direct cash to states and cities, leaving them to rely on the economic boost the aid package promises to fend off some of the deep spending cuts and budget shortfalls caused by the pandemic.

That means the recovery for municipal governments will likely be felt unevenly, dragging into late 2021 or even longer for those areas hit hardest by fiscal hit from Covid-19, according to a report by the National Association of State Budget Officers.

States saw revenue drop in fiscal 2020 after nine years of growth, and anticipate further declines in the following year, according the budget officers association. Local governments with revenues tied to battered industries, such as energy, travel, and tourism, will feel the sharpest impact.

The federal stimulus package passed by Congress this week includes billions of dollars in funding for small business assistance, education, transportation and other social programs that Moody's Investors Service said would bolster the credit of government bond issuers.

"We expect the new Covid-19 relief legislation to be accretive to annualized real GDP performance in Q1 2021 sufficient to avoid a contraction," said Jeffrey Lipton, a managing director and municipal debt analyst for Oppenheimer & Co., in a research note Wednesday.

The fate of the pandemic relief legislation, however, remains in doubt after President Donald Trump late Tuesday demanded last-minute changes to the bill.

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