

# Bond Case Briefs

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## S&P Outlook For U.S. Local Governments: Revenue Pressures Mount And Choices Get Harder

### **Sector View: Negative**

***Our view of the sector remains negative given the level of pressures brought by COVID-19 and the recession.*** While we expect most credits will experience only slight, if any, deterioration in 2021 and beyond, in the current environment we still expect downgrades to outpace upgrades. Credits that maintain higher reserves are better positioned to withstand revenue and expenditure pressure, but for most, active management of any shortfalls will still be critical to maintaining credit quality. Local governments that have weaker financial reserves and less flexibility, and don't proactively manage their budgets in 2021, will be most at risk for credit deterioration.

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