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The Public Finance Outlook for 2021 in 10 Themes.

Vaccines, a new presidency, a reshuffled Congress and a pandemic-shifted economy will transfigure the state and local fiscal landscape.

In my [last column](#) closing out 2020, I identified public finance lessons from a year that “challenged and stressed our systems of public finance in ways not experienced since the Great Depression.” Now, as a new year begins to unfold amid the pandemic’s continuing grip, it’s time to look forward to what lies ahead for leaders in state and local finance. I don’t claim a crystal ball here, just a crow’s-nest view of coming issues, concerns and likely trends. Here are 10 of them:

Pandemic intergovernmental aid will be on the table again, but don’t expect an avalanche of cash. It’s a good bet that the House and the White House will take a shot at some more COVID-19 stimulus funding for states and localities. Whether Republican resistance in the Senate can be overcome is the big unknown. If moderates in both parties can cobble together a modest compromise package, chances can improve. Look for centrist proposals for aid to offset demonstrable revenue shortfalls, reopen schools, fill public safety vacancies and fund public health expenditures over the next six months.

Even with mass vaccinations, the fiscal drag will be real in 2021. State and local revenues should recover by August, but public payrolls will keep lagging this year. While the U.S. economy should expand by this summer, public-sector layoffs and hiring freezes will remain the soft spot in national GDP. Exhaustion of rainy-day funds will be a problem for many public budgets, making the coming months the worst for some. Nonetheless, in some states the frothy stock market’s capital-gains tax revenues are offsetting losses from pandemic unemployment and business closures. Households will help by spending stimulus cash.

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GIRARD MILLER, FINANCE COLUMNIST | JANUARY 5, 2021

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