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Are States And Cities Taking On Too Much Debt?

Fears are receding of immediate state and city budget crises, due to the double impact of federal spending and restored economic and revenue growth. But low interest rates and pent-up public spending needs are leading to a great deal of new state and local borrowing. Are states and cities taking on too much debt?

In 2020, falling revenues due to the Covid-19 recession led to significant new muni borrowing. In fact, 2020 saw municipal bond sales set a new record of \$451.2 billion, up 11% over 2019.

2021 has seen continued issues from states and cities, “5% above the 5-year average” in June according to Blackrock. But muni supply is being swamped by demand, with large inflows of purchasing funds and less supply due to investors buying and holding munis.

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Forbes

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Sep 8, 2021

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