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S&P U.S. Local Governments Credit Brief: Texas Counties And Municipalities

Overview

Texas counties and municipalities have demonstrated generally stable credit quality in recent years, despite the onset of the COVID-19 pandemic, strong winter storms that have stressed the state's power grid, and hurricanes. An expanding population, especially in the concentrated metropolitan areas of Austin, Dallas-Fort Worth, Houston, and San Antonio, has generally benefited the state, as well as counties and cities. Growing populations have spurred development, subsequent rising market values, and increases in sales tax collections. A surge in market values has resulted in higher property taxes and along with other stable revenue streams has allowed for stable financial performance and healthy reserve positions. However, with growth in population comes growth in service demands and the need for debt issuance to fund infrastructure. Overall, Texas local governments have higher-than-average debt and fixed cost burdens when compared with national medians.

S&P Global Ratings maintains ratings on nearly 400 cities and more than 100 counties in Texas. Overall credit quality remained stable in 2021, with 12 downgrades and six upgrades combined between the two sectors. Despite continued economic disruptions related to the pandemic, Texas cities' and counties' key credit factors were stable. Market value growth and steady finances supported generally stable ratings. Economically sensitive revenues, such as sales taxes, on the whole were stable, in part thanks to population growth.

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