[Bond Case Briefs](#)

Municipal Finance Law Since 1971

Municipal Bonds: Are States Recession-Ready?

Municipal bond investors worry about the impact of a potential recession on the financial health of individual states. States represent the largest sector in the $4 trillion muni market—14%—and provide important funding sources to other municipal issuers. Therefore, state budget challenges can have broad negative consequences if not handled effectively. But the state of the states is strong, and their solid fiscal report cards should help most of them skirt economic speedbumps on the horizon.

States Given Much Prep Time for Recession

If a recession strikes, it should be no surprise to state leaders. This has been one of the most telegraphed leadups to a possible downturn in decades. What's more, muni issuers have the fiscal strength and budget tools to navigate an economic setback.

States' financial health is its strongest in decades, the combined result of years of steady revenue income, increasingly conservative budgeting and leftover federal relief funds in the wake of the COVID-19 pandemic as well as improved pension funding practices since 2008. Total fund balances hit a record $343 billion in 2022, equal to 32% of their expenditures (Display).

Continue reading.

AllianceBernstein

Bryan Laing, CFA| Credit Analyst—Municipal Bonds
Daryl Clements| Municipal Portfolio Manager

FEBRUARY 13, 2023