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S&P U.S. States 2025 Outlook: Eyes On Washington, Focus On Budgets

Sector View: Stable

- States' credit fundamentals have strengthened, providing financial headroom to navigate potential challenging coming budgetary conditions. In the fiscal 2026 budget cycle, states face increasing costs following a period of inflationary pressure, past wage adjustments, waning federal support, and changes in state-level tax policy.
- This is happening against the backdrop of an expected moderation in the national economy and uncertainty of federal policy implications. Nevertheless, we expect state credit quality to hold fast.

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