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S&P: U.S. Local Government Credit Quality Could Wobble As Federal Policy Shifts

Key Takeaways

- Sudden changes to or uncertainty about the direction of federal policy could lead to credit instability for some local governments.
- Weakening economic performance or the loss of municipal tax exemption through the renegotiation of the Tax Cuts and Jobs Act would negatively affect all local governments.
- The effects of other policy changes, such as those pertaining to immigration and tariffs, would likely be experienced more regionally or locally.
- State and local governments have experience absorbing short-term revenue disruptions or expenditure requirements, but significant federal policy changes could have lasting effects that require management teams to proactively address their operating budgets.

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