
Default Ahead for California? Unlikely, Says New Report From Payden & Rygel's California Municipal Social Impact Fund Team

LOS ANGELES, June 09, 2025 (GLOBE NEWSWIRE) — Recent concerns over California's fiscal health—driven by declining initial public offering (IPO) volume, reduced federal funding risk, and rising costs—have prompted questions about the state's financial stability. However, after a thorough analysis, Payden & Rygel's market-leading municipal bond team believes the risk of a bond default or severe credit deterioration remains low.

"While we understand investors' concerns about the California economy, its capacity to generate adequate revenue to match spending levels and the potential impact on the state's municipal debt, we believe that although the revenue picture is softening, the outlook remains relatively stable over the next 1-2 years with potential credit rating deterioration limited to just one notch over that timeframe in a worst case scenario. Near term ratings will hinge on the final FY 26 budget that we expect Sacramento to pass by June 15th, otherwise lawmakers don't get paid," say the report's authors, the Payden & Rygel's California Municipal Social Impact Fund team.

"We are also closely monitoring the evolution of entitlement spending reduction proposals at the federal level but ultimately expect Medicaid cuts to be less pervasive than currently feared," they added.

Continue reading.

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