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S&P U.S. States 2026 Outlook: As States Face Widening Challenges, Their Actions Likely Will Uphold Credit Stability

Sector View: Stable

- Meaningful changes to the federal-state policy relationship will test the resilience of states' credit quality, although we believe they have financial cushions and well-embedded management practices to cope with this uncertainty.
- States will continue adjusting to this new policy environment through budgetary and legislative actions to address looming cost increases from many federal program changes and funding shifts.
- Our sector view remains stable, as we believe that most states will be able to balance slowing revenue growth against the rising expenditure needs, while maintaining ample reserve balances.

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