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[BlackRock Expects Increased Downgrades for State Borrowers.](#)

Takeaways by Bloomberg AI

- State revenues are softening, and rainy day fund capacity has declined for the first time since the Great Recession, according to Pat Haskell.
- The combination of softening revenues, slowing tax collections, and rising costs is driving reserve drawdowns and structural imbalances, contributing to increased downgrades and wider credit gaps.
- BlackRock is maintaining higher liquidity levels to be opportunistic and is preferring essential service revenue bonds over general obligation bonds due to potential fiscal strain and changing policy and budget constraints.

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Bloomberg Markets

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