

Bond Case Briefs

Municipal Finance Law Since 1971

S&P: U.S. States Face Long-Term Debt And Liability Affordability Challenges Despite Recent Improvement

Key Takeaways

- States' net direct debt increased slightly in 2025, while debt metrics remained relatively stable due to favorable economic output and operating revenue trends.
- Pension and OPEB funding levels are relatively strong as median pension funded ratios exceeded 80% in fiscal 2025, and median OPEB funded ratios exceeded 15%.
- To varying degrees, state debt and liabilities remain sensitive to evolving risks that could affect performance in fiscal years 2027 and 2028, including economic and investment volatility, state and federal policy shifts, rising wage-driven pension accruals, and medical cost inflation.
- Proactive liability management practices, plan governance, and debt and investment policies that adapt to changing structural risks are likely to support states' credit quality.

[Continue reading.](#)

01-Oct-2026 | 15:56 EDT

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com