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S&P U.S. Affordability: U.S. States Are Pressured To Balance Increasing Costs Against Lower Tax Expectations

Key Takeaways

- Despite broad economic expansion across U.S. states and a relatively stable employment backdrop, addressing overall affordability remains a key policy priority.
- Absent structural reforms, shifting federal policy dynamics could narrow states' funding options to balance budgets while they execute large-scale investments that aim to address cost-of-living pressures.
- State balance sheets remain relatively healthy, and debt and liabilities positions have improved, providing options should an unanticipated downward turn in the business cycle emerge.
- Some states continue to pursue incremental program changes or targeted relief measures like modifying income tax rates or property tax reforms. Others are exploring new taxes on wealthy individuals to support ongoing programs as they work to sustain budgetary balance.

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