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S&P U.S. Long-Term Municipal Pools 2026 Medians: Ample Overcollateralization Absorbs Rising Leverage As Federal Support Recedes

Key Takeaways

- U.S. long-term municipal pools remain highly rated and stable, with 55% of ratings in the 'AAA' category and 98% carrying stable outlooks as of Oct. 15, 2026.
- The expiration of supplemental State Revolving Fund (SRF) capitalization under the Infrastructure Investment and Jobs Act (IIJA) and proposed budget cuts for fiscal 2027 present minimal direct risk to SRF ratings, though they pose challenges for local borrowers, which will likely face higher costs due to reduced subsidies and diminished lending capacity.
- Leverage is modestly increasing across the sector. SRFs are stretching smaller federal grants further, and some non-SRF pools are growing their loan portfolios faster than the reserves and excess revenues that support them. Leverage increases have not materially pressured most ratings so far.
- Pool structures are evolving. Some pools now lend across state lines, established programs are adding junior liens, and new programs are seeking rating assignments.

Overview

S&P Global Ratings' medians for U.S. long-term municipal pools reflect a sector with substantial financial cushion and a long record of strong performance. The sector includes Clean Water and Drinking Water SRFs, state bond banks and municipal lending programs, economic development pools, and guarantee programs. Although these programs differ in purpose and structure, most share several features that support high investment-grade ratings: diversified portfolios of public-sector borrowers, structural overcollateralization from reserves or excess loan repayments, and, in many cases, support mechanisms such as state aid intercepts or direct state funding.

We generated these medians from 2026 and 2025 cash flow analyses for 65 distinct pools with public ratings under our criteria (see "U.S. Public Finance Long-Term Municipal Pools: Methodology And Assumptions," July 26, 2024). For the purpose of this report, we consolidate multiple liens within the same program and pools that are effectively cross-collateralized. These medians reflect general sector trends and should not be considered thresholds to achieve a given rating.

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