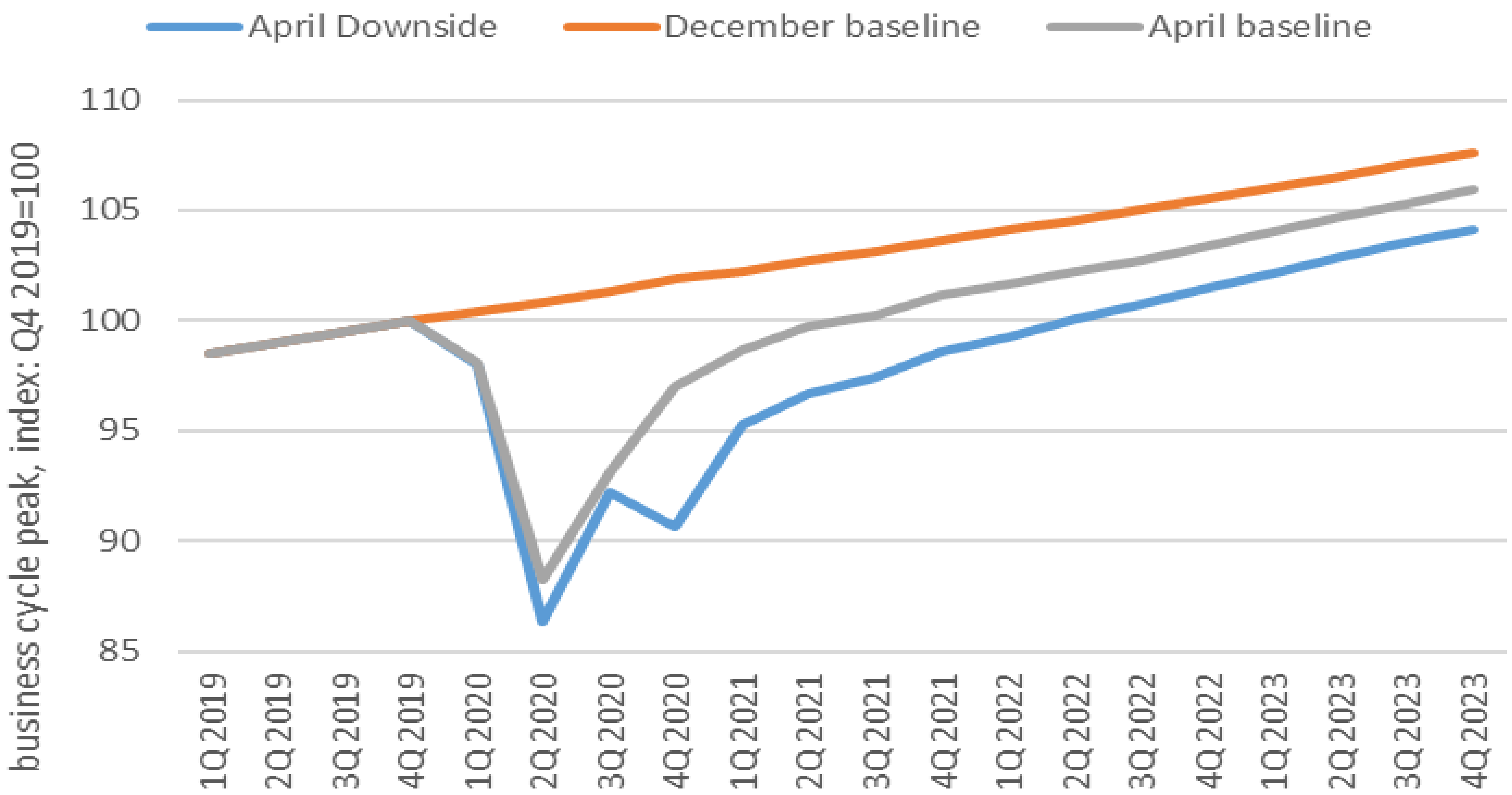
Volcker Alliance: Special Briefing on COVID-19

June 18th, 2020

S&P Global
Ratings

GDP Forecasts: Before and After COVID-19



Source: S&P Global Economists

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All Sector Outlooks Across U.S. Public Finance Turn Negative – Key Macro Factors

Duration
Uncertainty about the rate of spread and peak of COVID-19 could pressure liquidity

Mobility Restrictions
Closure of large segments of the economy has weakened demand and revenues

GDP Decline/Unemployment
Unprecedented decline forecasted for the 2nd quarter will present challenges across public finance

Containment/Mitigation Costs
Many issuers are at the front line of absorbing these unbudgeted costs

Policy Response
The timing of federal stimulus funds and support are uncertain and timing is of the essence

Market Volatility
Market access could continue to be pressured and more costly; prolonged equity market decline hurts revenues and pensions

Source: S&P Global Ratings.

Source: All U.S. Public Finance Sector Outlooks Are Now Negative, April 1, 2020

COVID-19 Activity in U.S. Public Finance

Rating Activity

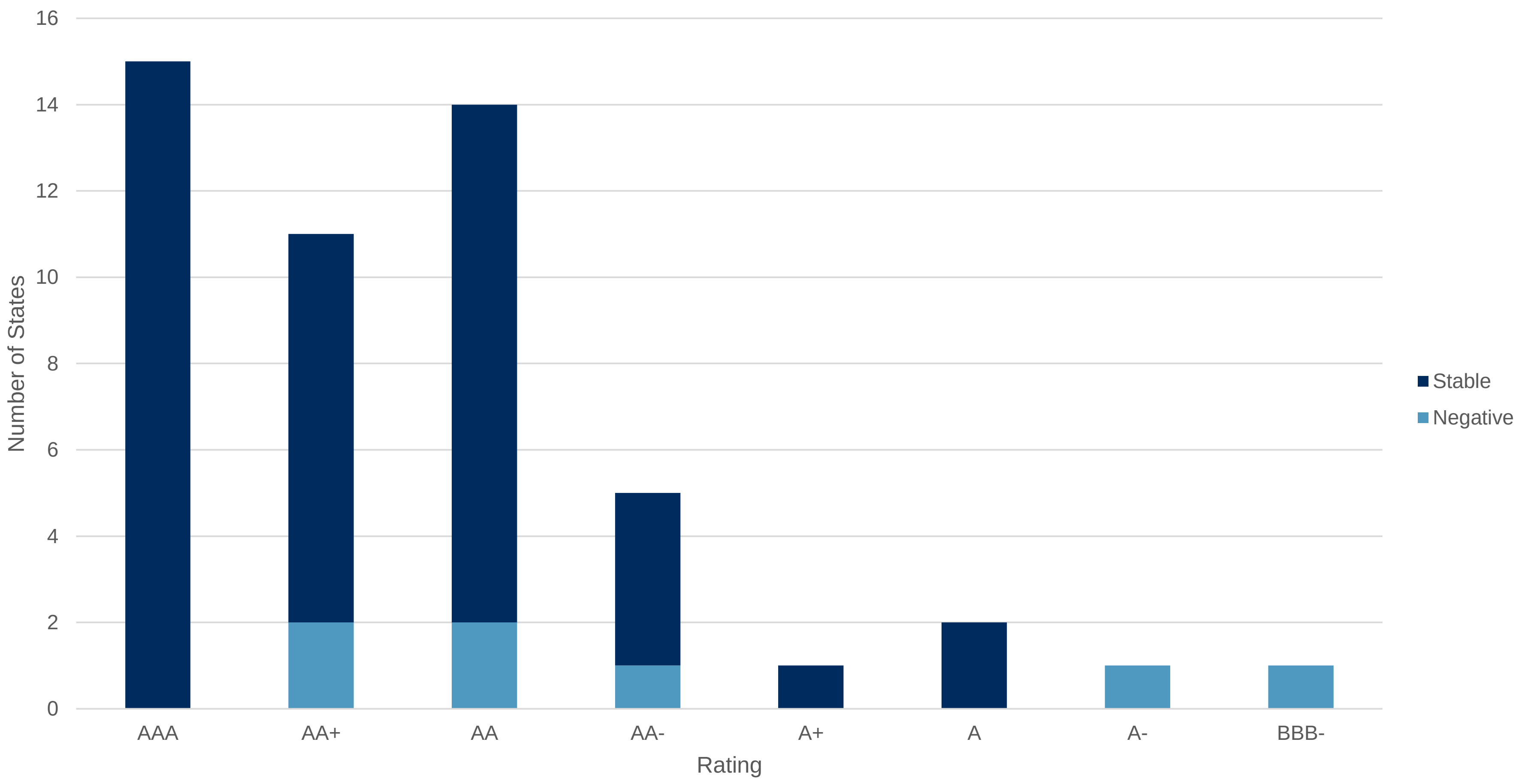
Through June 11, 2020

Action	Health Care	Housing*	Higher Ed & Not-For-Profit	Charter Schools, Independent Schools, Community Colleges	Local Govts	States	Transportation	Utilities	Total
Downgrade	5	2	4	1	5		3		20
Downgrade + outlook to negative			4	2	14	1	1		22
Downgrade + CreditWatch negative		1						1	2
Negative outlook revision	53	22	247	18	282	12	184	31	849
CreditWatch negative	2				10		2		14
Total	60	25	255	21	311	13	190	32	907

Some ratings were included in the bulk negative outlook rating actions despite already being on negative outlook. These ratings are not included here. Rating activity is summarized by issuer, except for the higher education sector which includes individual projects within the privatized student housing portfolio. *Four housing transactions were downgraded when the outlook was revised to negative; however, we only consider the outlook change to be COVID-19 related so they are listed under "Negative outlook revision" in the table.

U.S. State Ratings Distribution

As of May 19, 2020



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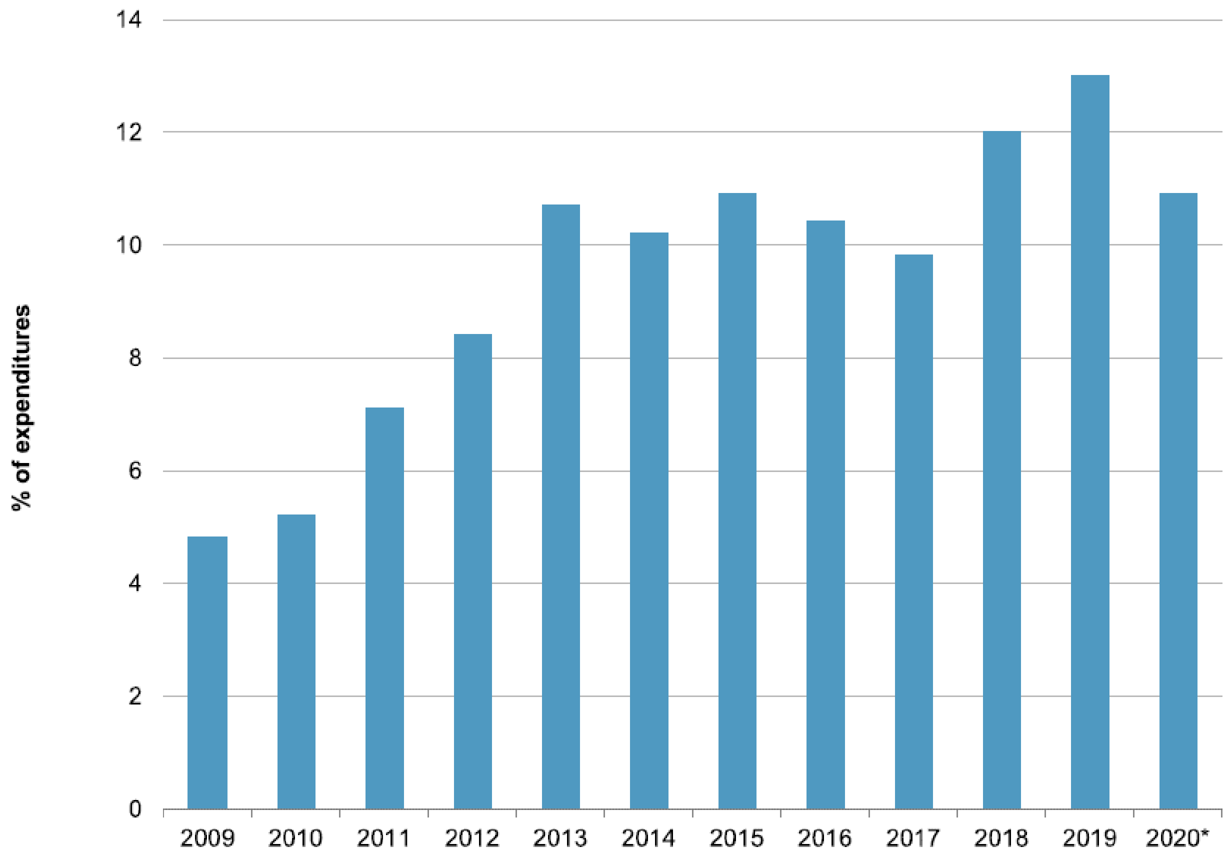
Ratings are for the state's general obligation debt or ICR (issuer credit rating). Ratings for other debt issued by the state will vary based on the security backing the bonds.

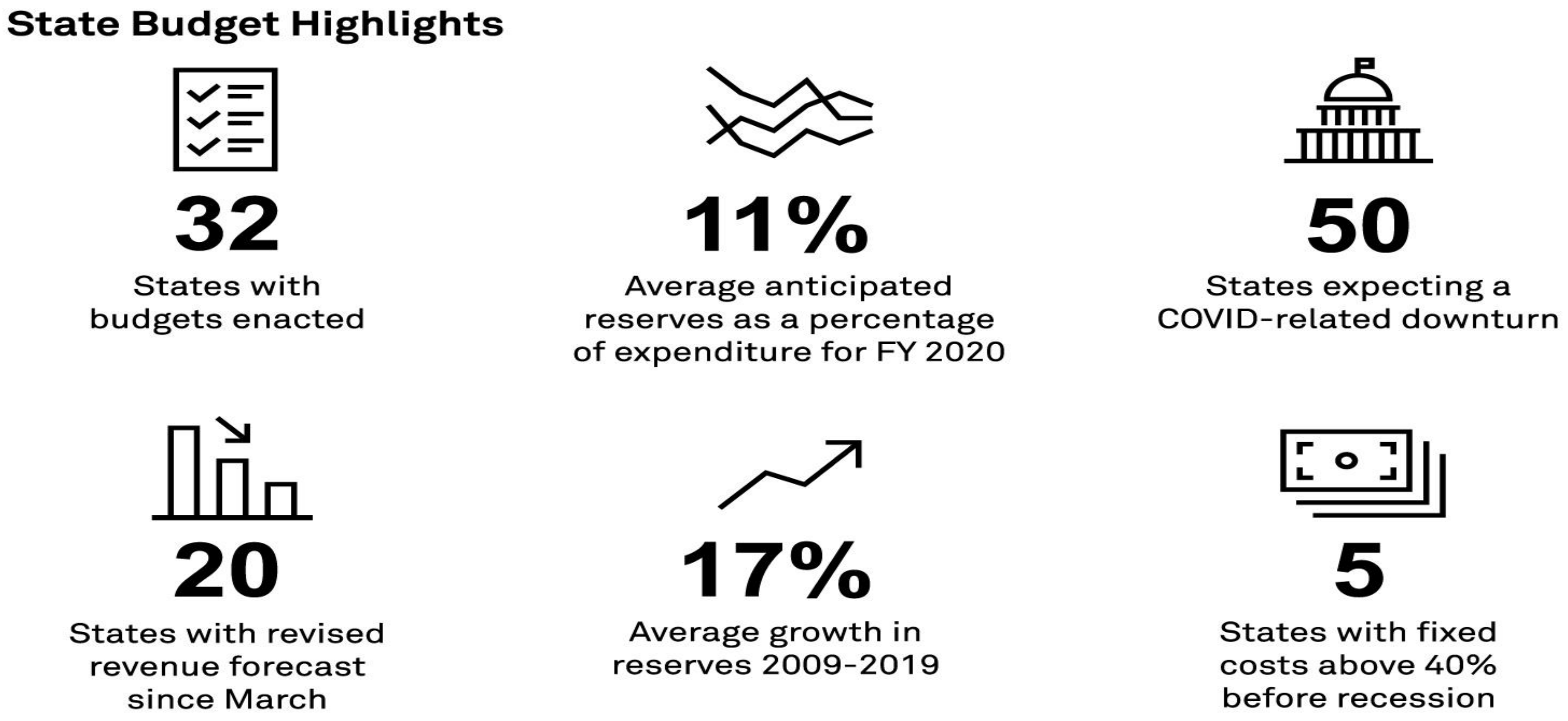
Ten-Year Growth in Combined State Reserves



* Budget estimate. Source: NASBO.

Source: S&P Global Ratings COVID-Induced Recession Throws Curveball To U.S. State Budgets, May 21, 2020

Fiscal Year 2021 State Budget Highlights



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Source: S&P Global Ratings COVID-Induced Recession Throws Curveball To U.S. State Budgets, May 21, 2020

Moderating Debt Burdens Allow Some U.S. States Room To Borrow During A Recession

Key Takeaways

- With debt profiles comparatively stable since the Great Recession, S&P Global Ratings expects states will look to increase their capital borrowing.
- Generally, debt levels are sustainable at low-to-moderate debt ratios with capacity for growth for most states.
- Acceleration in infrastructure spending could buoy states' economies and induce longer-term growth.
- From a regional perspective, with the exception of California and Washington, the states at the top of total tax-supported debt list are all east of the Mississippi River.

Top Ten States Ranked By Tax Supported Debt

Ranking	Total tax-supported debt	Per capita	As % of personal income	As % of GSP	Debt service as % of general spending
1	California	Connecticut	Hawaii	Connecticut	Connecticut
2	New York	Massachusetts	Connecticut	Hawaii	Hawaii
3	Massachusetts	Hawaii	Massachusetts	Massachusetts	New Jersey
4	New Jersey	New Jersey	New Jersey	New Jersey	Illinois
5	Illinois	New York	Delaware	Mississippi	Washington
6	Connecticut	Illinois	Mississippi	Wisconsin	Massachusetts
7	Pennsylvania	Washington	Illinois	West Virginia	Mississippi
8	Washington	Delaware	Wisconsin	Illinois	Maryland
9	Florida	Maryland	West Virginia	Delaware	New York
10	Maryland	Wisconsin	Oregon	Maryland	Georgia

GSP--Gross state product.

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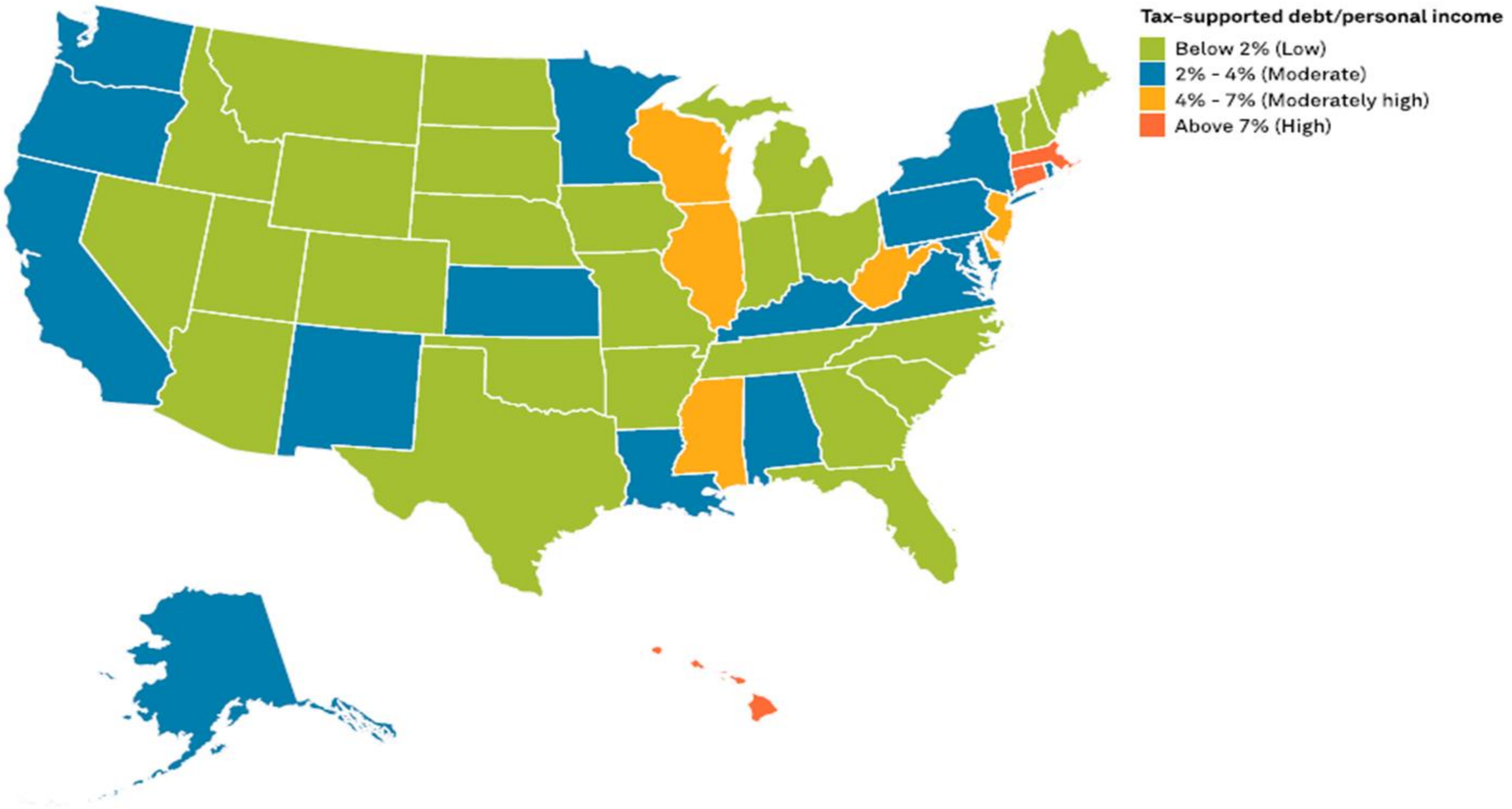
Tax-Supported Debt As A % of Personal Income



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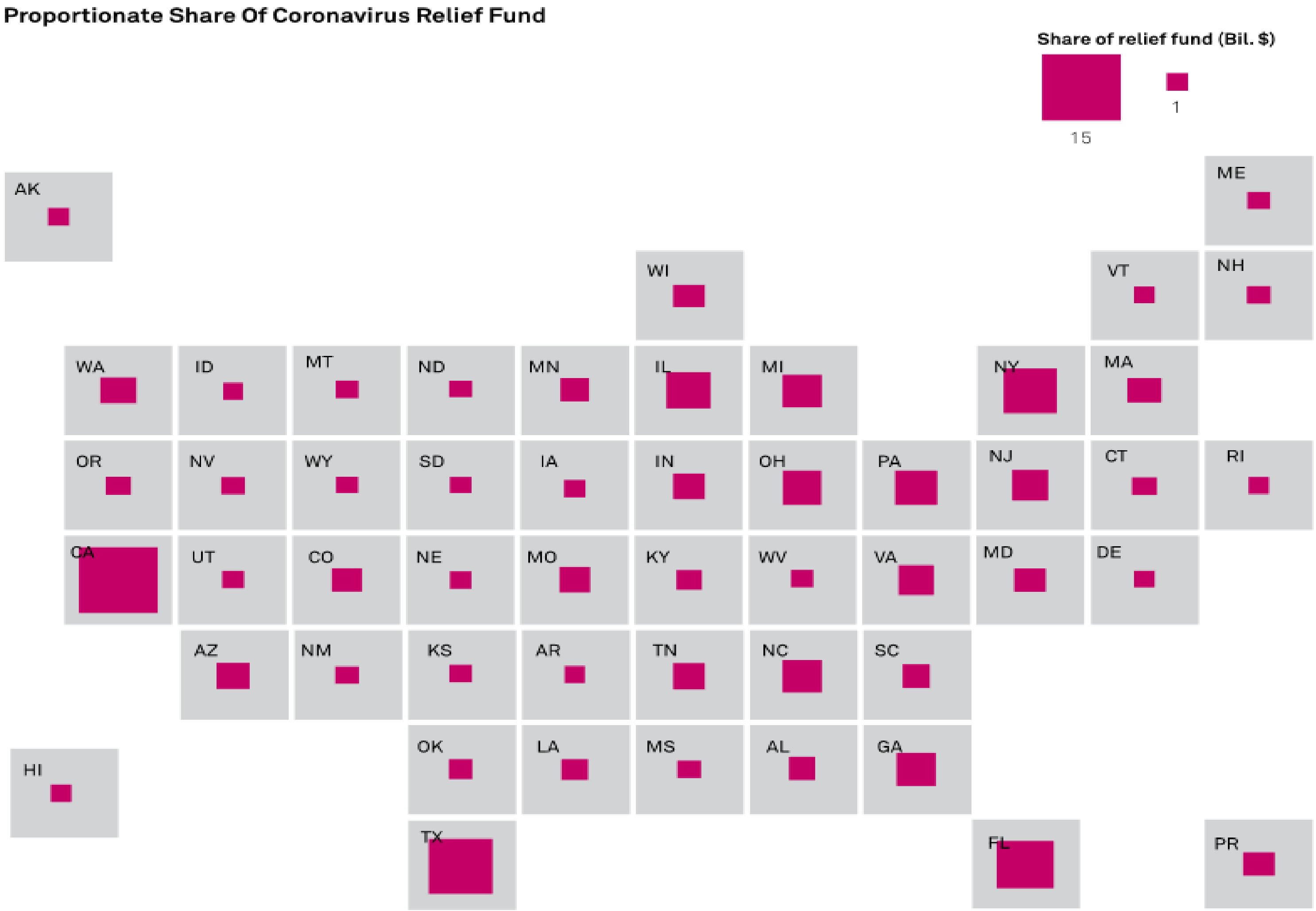
What the CARES Act Means For U.S. Public Finance



Source: S&P Global Ratings.

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Selected Recent Publications

To access the articles below: right click the underlined text, copy the hyperlink and paste into your browser

COVID-19 Activity In U.S. Public Finance, *updated frequently*

Moderating Debt Burdens Allow Some U.S. States Room To Borrow During A Recession, *June 16, 2020*

U.S. Oil-Producing States Dealt Double Blow From Price Collapse And COVID-19, *June 8, 2020*

COVID-19 Induced Recession Throws Curveball To U.S. State Budgets, *May 21, 2020*

Credit FAQ: COVID-19, Recession, And U.S. Public Finance Ratings, *May 14,* 2020

The COVID-19 Outbreak Weakens U.S. State and Local Government Credit Conditions, *April 2, 2020*

All U.S. Public Finance Sector Outlooks Are Now Negative, *April 1, 2020*

Thank you!

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All research, commentary, and rating actions related to COVID-19 in U.S. Public Finance can be found at the link below:

COVID-19 Activity in U.S. Public Finance

Q&A

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