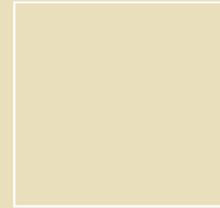


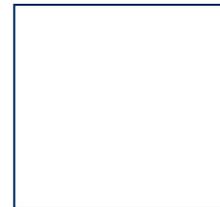
Municipal Finance After the Recession



Richard Kaglic
Regional Economist
Research Department



Afternoon at the Fed
April 4, 2011



THE FEDERAL RESERVE BANK OF RICHMOND
RICHMOND ■ BALTIMORE ■ CHARLOTTE



Municipal Finance After the Recession

Richard Kaglic
Regional Economist
April 4, 2011

The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.



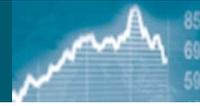
THE FEDERAL RESERVE BANK OF RICHMOND
RICHMOND ■ BALTIMORE ■ CHARLOTTE



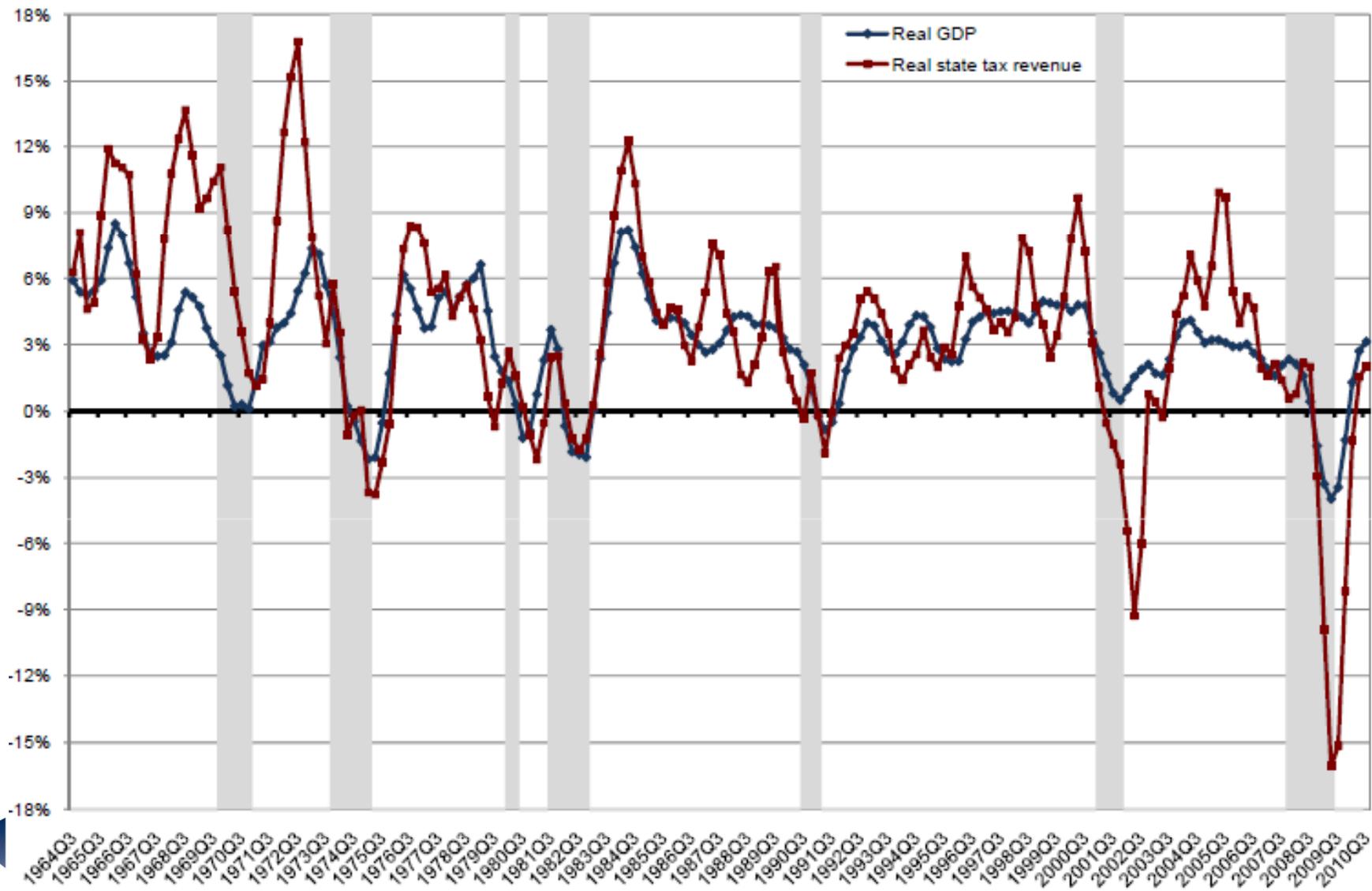
Muni Bond Concerns in a Nutshell

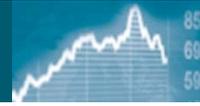
- Three primary issues
 - Fiscal mismatch between planned spending and expected revenues
 - Increasing indebtedness
 - Inadequately funded pensions and OPEBs
- Will there be a muni bond crisis?





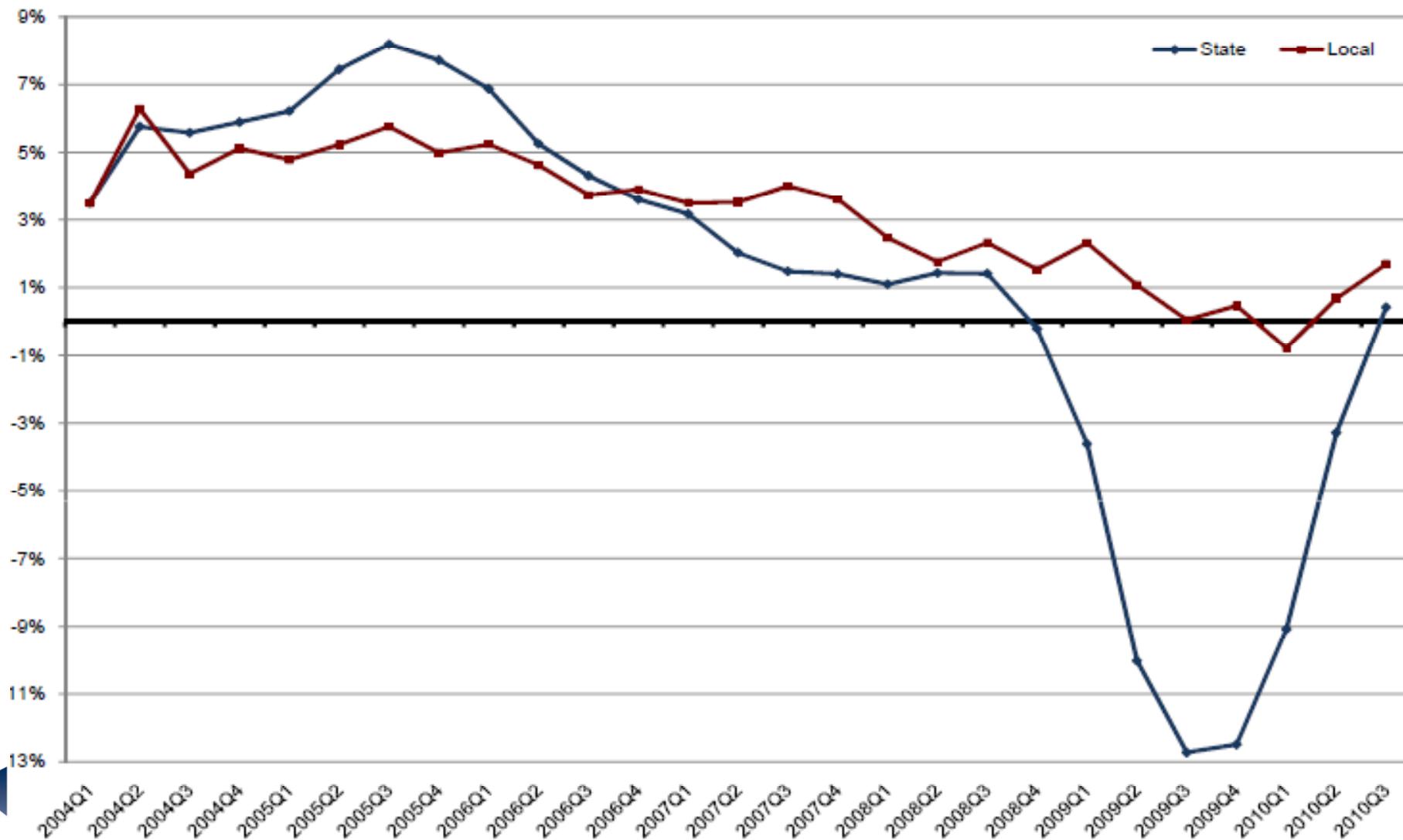
The Recession's Impact on State Revenues





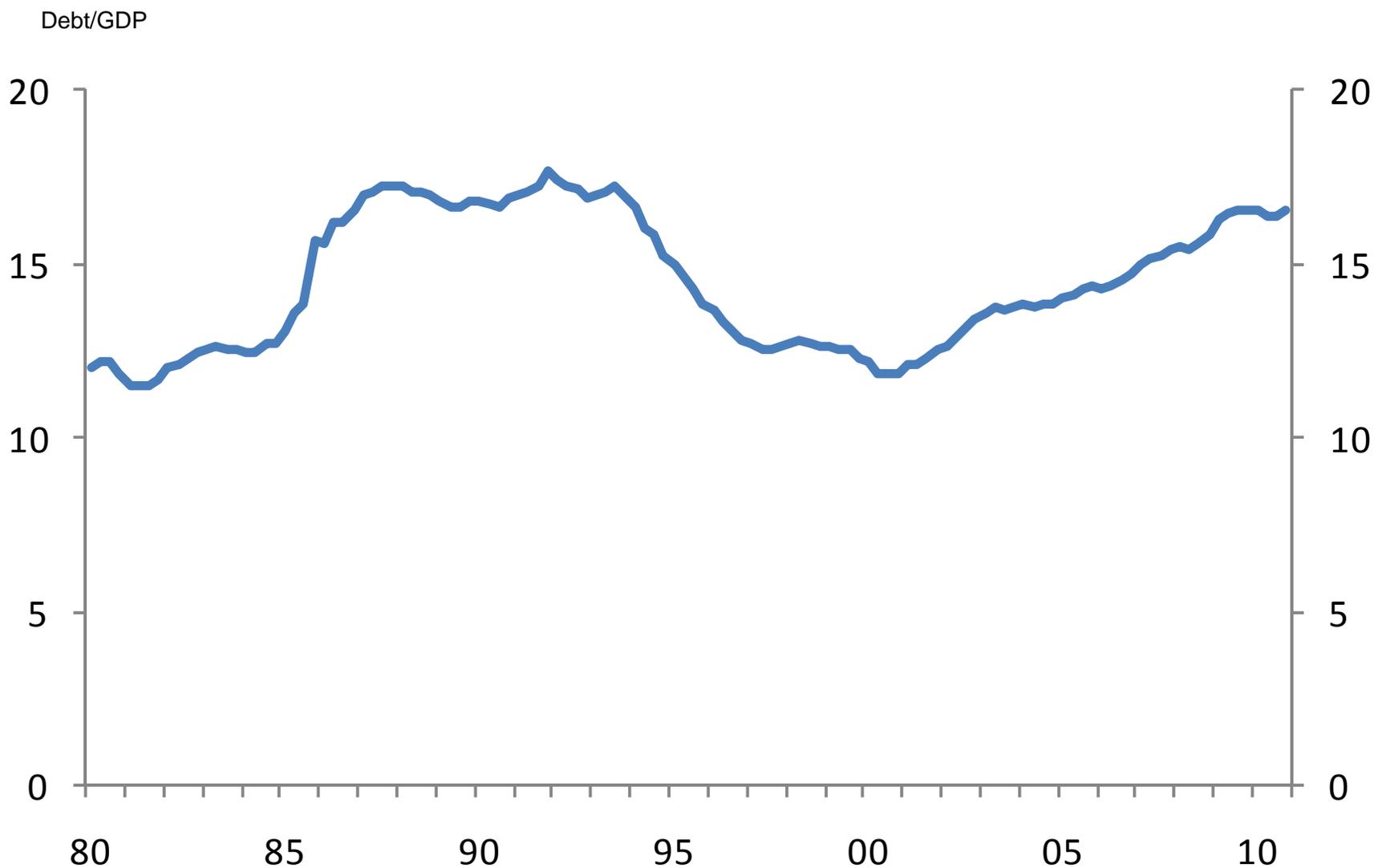
Local Fiscal Woes Lag States'

Tax collections, percent change from prior year



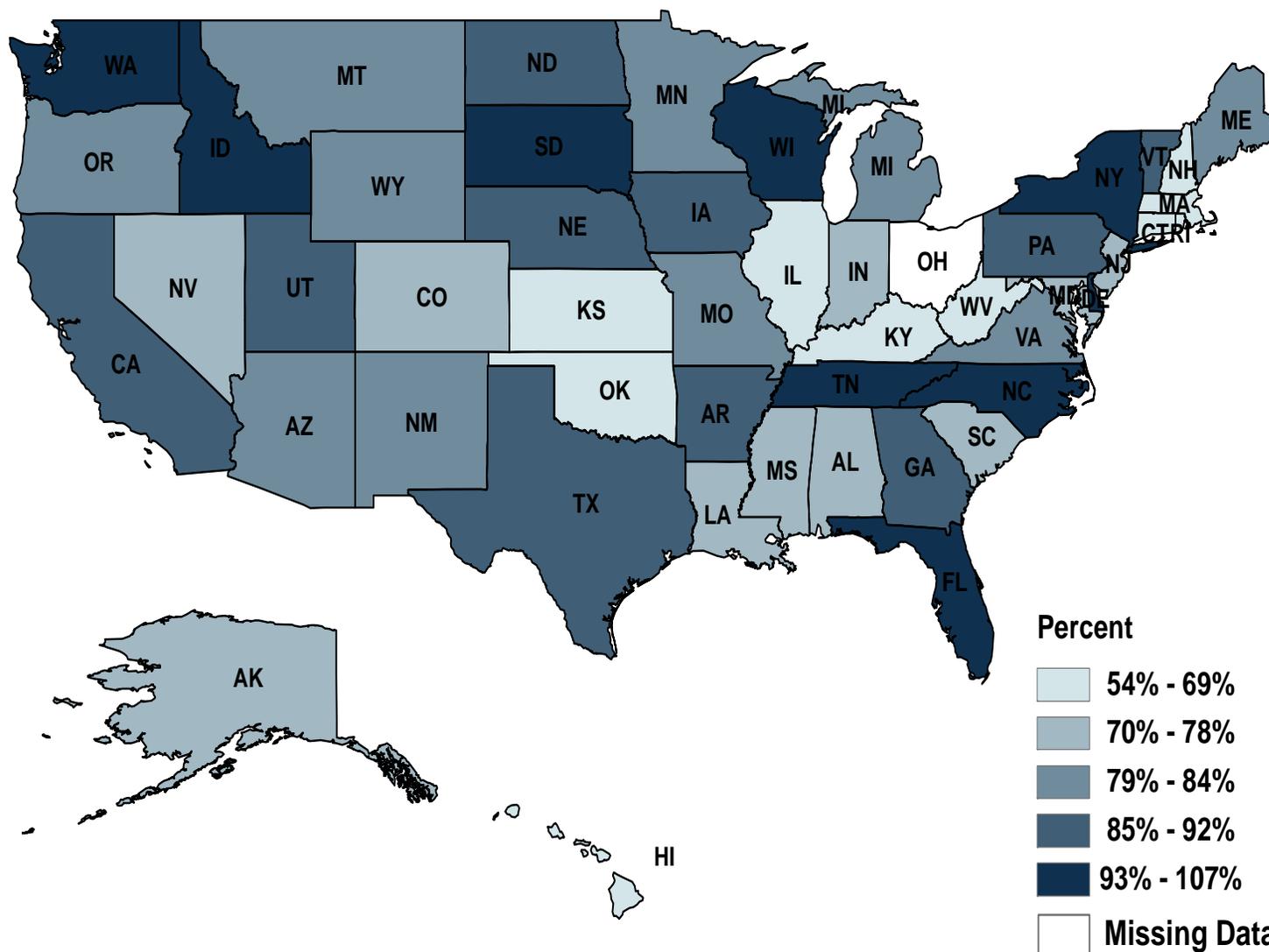


State and Local Debt





The Elephant in the Room: Underfunded Pensions





Key Challenges

- Spending tax payers' dollars effectively and efficiently to achieve desired results (more cost-benefit analysis)
- Reducing fiscal mismatches over the cycle
- Maintaining services vital to region
- Dealing with OPEBs
- Will there be a muni bond crisis?
 - Not likely
 - Loans backed by governments' ability to tax
 - Bound to pay bond holders





THE FEDERAL RESERVE BANK OF RICHMOND

RICHMOND ■ BALTIMORE ■ CHARLOTTE