COLUMBIA THREADNEEDLE INVESTMENTS

Chart on the Go

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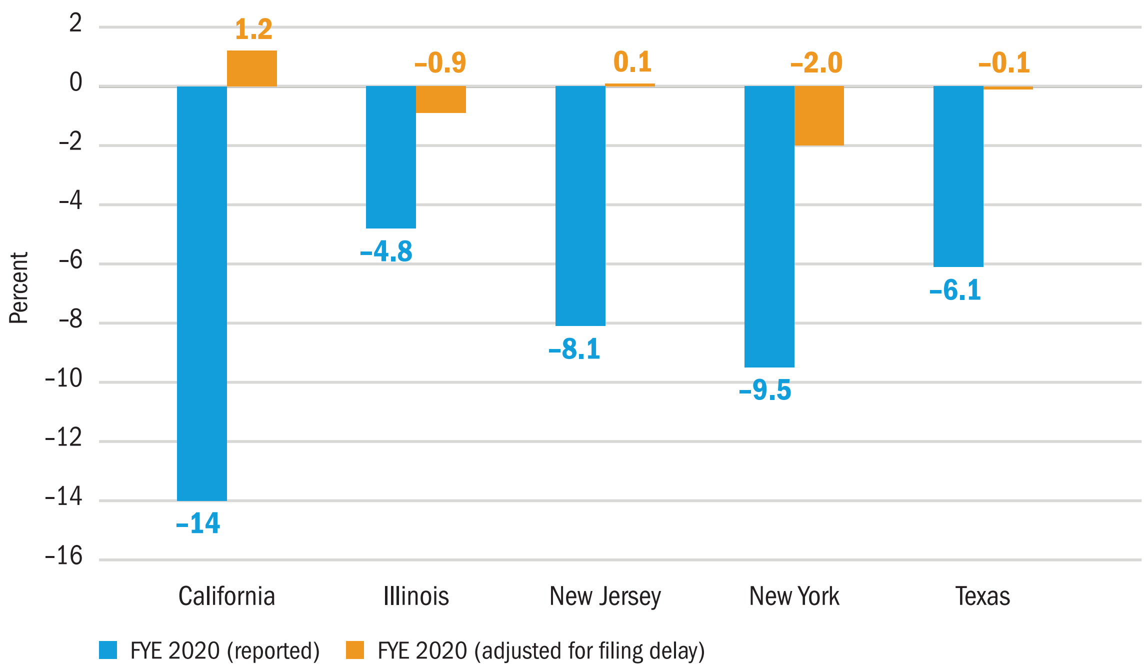
State revenue decline less dire than projections

Fiscal year 2020 state revenues, year-over-year performance



Source: Columbia Threadneedle Investments as of 08/31/20. States shown reflect those with the greatest change in reported v. adjusted revenue data.

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Many states entered the COVID-19 recession with healthy balance sheets, sustainable debt burdens and ample liquidity.

State tax revenues were projected to collapse in March/April, a narrative amplified in the media. The actual results are proving more nuanced as the delayed IRS tax filing date created phantom losses due to timing of tax revenues. CARES Act stimulus programs also provided indirect budget relief.

States will be contending with budget headwinds for the next two to three years. But there is no impending "fiscal cliff," even if a fourth fiscal stimulus program proves to be underwhelming. The long-term challenge underscores the need for an active approach to bond selection based on exhaustive fundamental research.

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