The Municipal Market in 2024, Hilltop's Municipal Sector Credit Outlooks

Tom Kozlik

- There was a temporary upswing in municipal bond credit quality that began in 2021. Now, just three years later, municipal credit is normalizing.
- The details and path of individual credit is important again and we are closely watching across all sectors to see if expenditure demand generally and spending specifically aligns with revenues.
- There is a reluctant optimism amongst market observers as it relates to the macro-economic backdrop taking hold to begin the new year. Calls for a U.S. recession in 2024 have declined. Challenges exist in 2024 even still as global disorder takes shape.
- The credit normalization process is surely occurring in the **State Government** sector as officials across the nation are seeking a refreshed level of fiscal balance.
  We lowered our **Local Government** sector outlook to "Stable" from "Positive." Upgrades will likely still outpace downgrades in 2024, just at a lower pace this year.
- We also lowered our **School District** sector outlook to "Stable" from "Positive." We are not expecting credit stress to develop, but factors such as enrollment declines are building.
  Our "Stable" outlook for the **Community Facilities District** sector is still appropriate as California property values remain relatively even, yet below national trends.
- The **Airport** sector has returned to a steadier circumstance because passenger enplanements recovered and in some individual cases even surpassed 2019 levels.
- **Charter Schools** could face medium term capital and operational pressures especially if lower stated aid revenues materialize.
- Obstacles in the **Health Care** sector remain. Entities in the sector continue to grapple with fiscal and workforce pressures. Merger activity could remain active in 2024.
- Our outlook on Private **Higher Education** was raised to "Cautious" from "Negative." In both sub-categories, we are distinguishing between the "haves" and "have-nots."
- **Housing** sector activity should remain active and finances strong to stable for single and multifamily housing bond issuers.
- Rising energy needs and the search for a middle ground among affordability, reliability and decreasing the sector's carbon intensity creates pluses and minuses in the **Public Power** sector.
- We raised our **Senior Living** outlook to "Cautious" from "Negative" due to occupancy improvements, subdued labor expense increases, and moderating new supply.
- Consumption declines persisted, and regulatory and event risk remains in the **Tobacco** securitization sector.
- Traffic growth has evened out and financial metrics continue to be strong and should provide credit stability in the **Toll Facilities** sector.
- There are dauting regulatory headwinds for the **Water & Sewer** sector, but financial capacity remains very strong.

©2026 Hilltop Securities Inc. \ All rights reserved \ MEMBER: NYSE/FINRA/SIPC

Read the full article

Read more Municipal Commentary

©2026 Hilltop Securities Inc. \ All rights reserved \ MEMBER: NYSE/FINRA/SIPC