



NEW ENGLAND STATES GOVERNMENT FINANCE OFFICERS ASSOCIATION

Current Credit Conditions & Bond Market Trends Affecting Local Governments Throughout New England

79th Annual Fall Conference

Providence, Rhode Island | Fall 2026



Biographies

James A. Diosa

GENERAL TREASURER | STATE OF RHODE ISLAND

James A. Diosa was elected Rhode Island General Treasurer in November 2022 and sworn in on January 3, 2023. He is focused on protecting and growing the state's assets while ensuring all Rhode Islanders have the financial foundation to thrive. Since taking office, he has worked to sustainably grow and diversify the state's \$13 billion pension fund, strengthen Rhode Island's bond rating, and expand access to economic opportunity. Under his leadership, Treasury has launched several initiatives to support Rhode Islanders, including RISavers, which expands retirement access to the 40% of private-sector workers without employer-sponsored options, and the RI AnchorHome pilot program, which offers low-interest home loans. Treasury has also expanded efforts to return unclaimed property, reuniting residents with millions of dollars. In addition, Treasurer Diosa has strengthened financial education statewide, convened municipal leaders on public finance, and launched a medical debt relief initiative that eliminated \$16 million in debt.

Michael Ryter

SENIOR ANALYST | S&P GLOBAL RATINGS

Michael Ryter is a Senior Analyst in S&P Global Ratings' East Region Local Government Group in Americas Public Finance, based in Chicago. Michael joined S&P in 2022 and covers local credits in the Eastern region from Maine to Florida including municipalities, counties, and school districts. He serves as S&P's local government portfolio lead for Massachusetts and authors annual credit briefs on Massachusetts and Connecticut municipalities.

Alexander Shih

MANAGING DIRECTOR, PUBLIC FINANCE | RAYMOND JAMES

Alex Shih is a Managing Director in RJ's Public Finance Banking department located in New York City. Prior to joining the firm in August 2008, Mr. Shih was a Director with UBS Investment Bank in their Municipal Securities Group for almost a decade specializing in Northeast region financings. Overall, Mr. Shih has executed or managed over 500 senior managed negotiated bond transactions for a total par in excess of \$25 billion.

Carlos Desmaras

EXECUTIVE DIRECTOR, PUBLIC FINANCE | CABRERA CAPITAL MARKETS

Carlos Desmaras leads Cabrera Capital Markets' coverage of Northeast municipal issuers and has more than 22 years of public finance experience. He has senior managed over \$8 billion of municipal bond financings and participated in underwritings totaling more than \$35 billion. His experience spans state and local governments, transportation, water and wastewater, utility, and power credits throughout the Northeast and across the country. Mr. Desmaras is a graduate of the University of Pennsylvania and Columbia Business School.

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02 Addressing Challenges by Stimulating and Building Wealth - State of Rhode Island Treasurer James Diosa

03 State and Local Government Credit Sector Developments – Michael Ryter

04 Municipal Bond Market Developments – Alexander Shih

SECTION 01

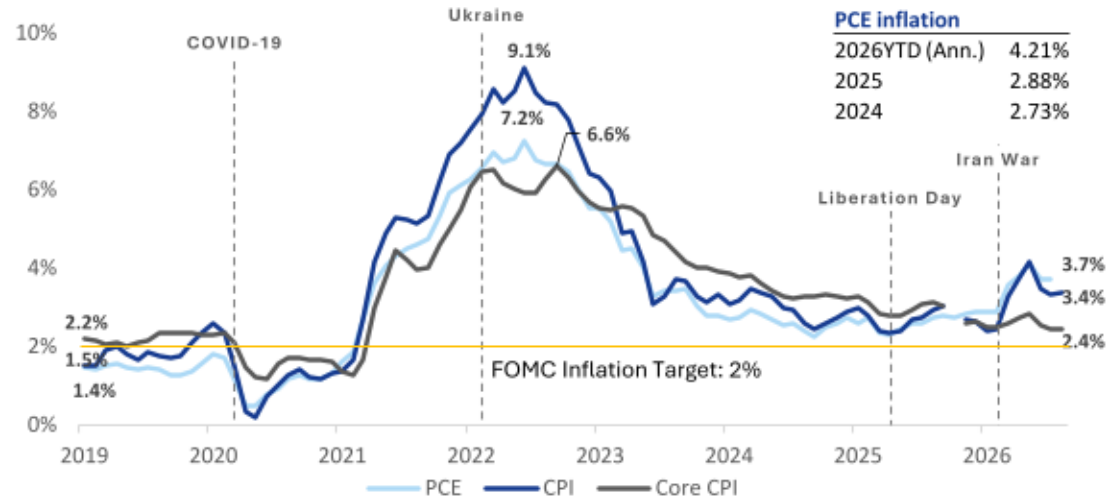
Summary of Economic Conditions

Cabrera Capital Markets

Inflation

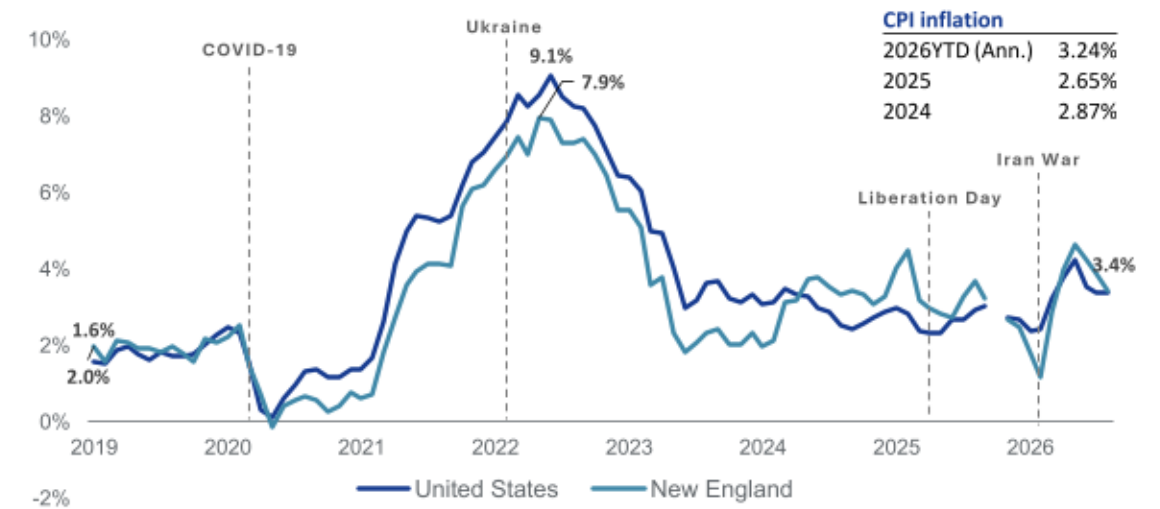
PCE, CPI, and Core CPI Inflation

Year-over-year change | January 2019–2026 YTD



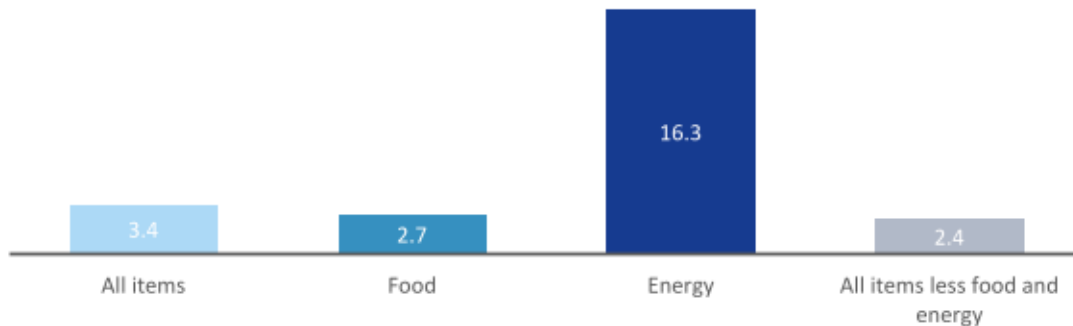
CPI for US & New England

Percent Change (Year/Year)



12-month % change, Consumer Price Index

August 2026, selected categories, not seasonally adjusted



Inflation by Category: Northeast & National

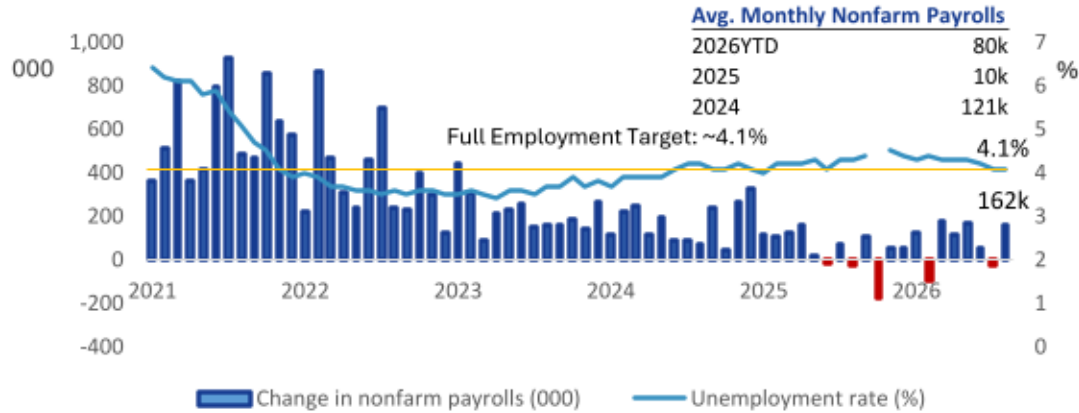
CPI-U for August 2026, selected categories, not seasonally adjusted

Category	Northeast		National	
	MoM	YoY	MoM	YoY
Fuels & Utilities	0.00%	8.50%	-0.10%	5.00%
Transportation	-0.90%	6.70%	0.50%	6.20%
Housing	0.20%	4.00%	0.20%	3.10%
Food	-0.10%	2.90%	0.10%	2.70%
Medical Care	0.10%	1.40%	-0.10%	1.60%
All Items	0.10%	3.90%	0.30%	3.40%

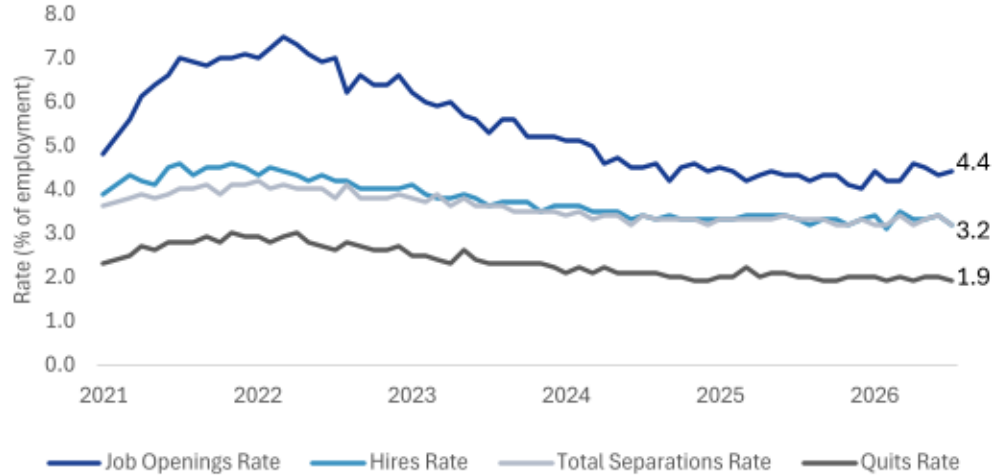
US Labor Market

Payroll growth has stabilized at a low level and unemployment is stable at target

Monthly change in nonfarm payrolls and unemployment rate



Job Openings and Labor Turnover Summary - Rates Have Normalized to Pre-Pandemic Levels

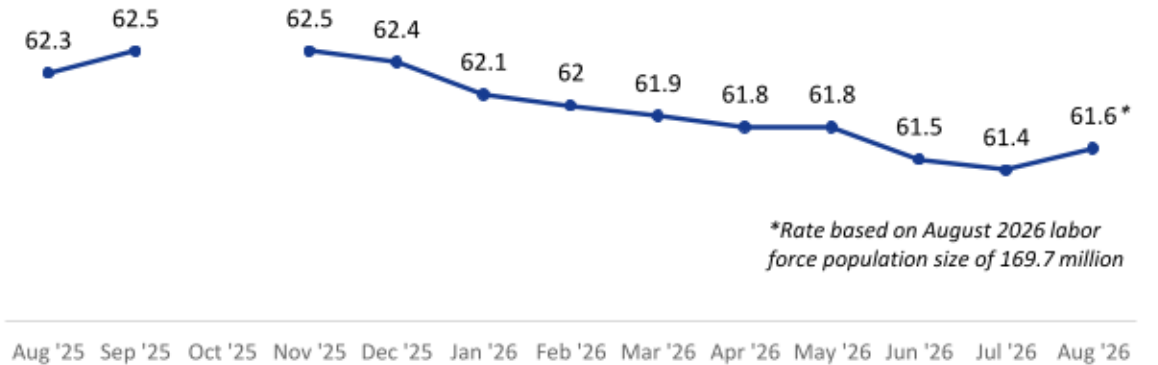


Employment change by industry with confidence intervals



Participation Rate Down 0.7% YoY

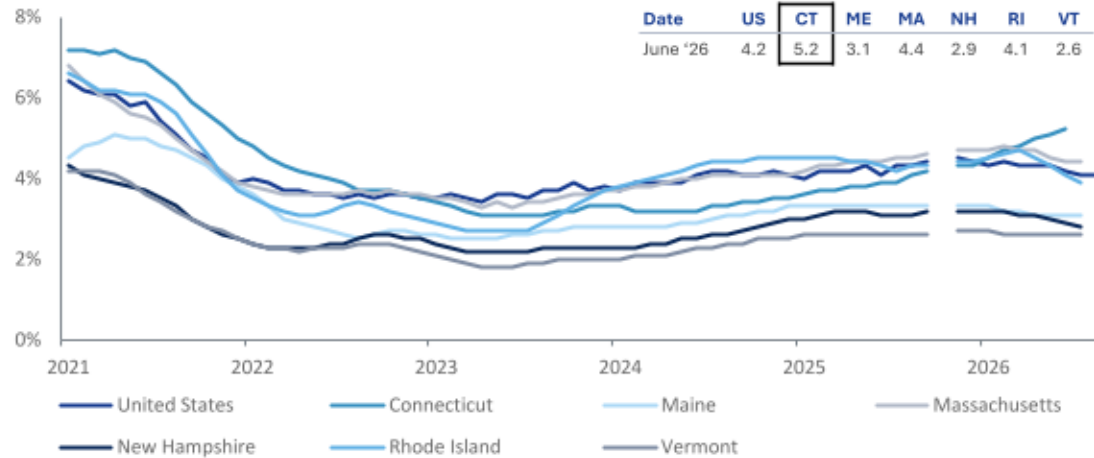
Labor force participation rate (%)



New England Labor Market

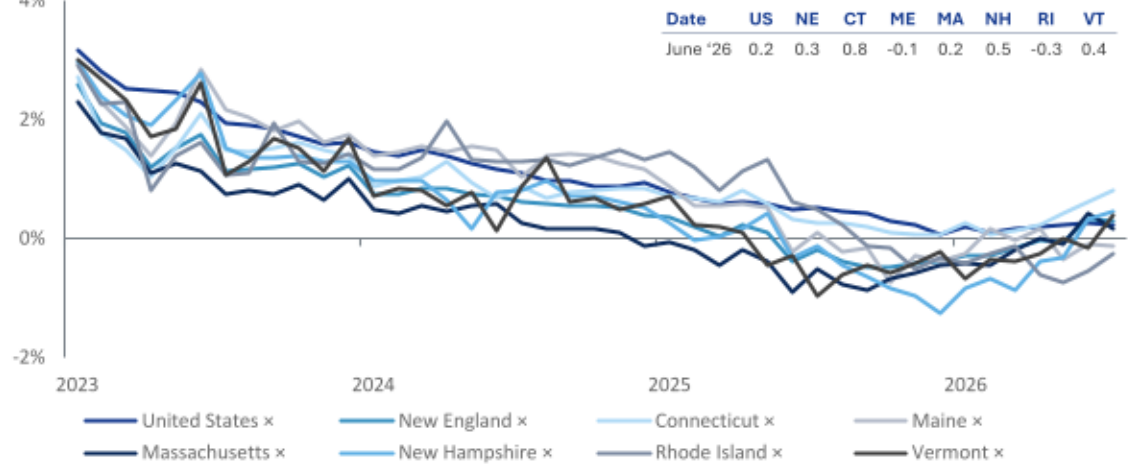
Unemployment Rate by State

New England states and U.S., monthly, seasonally adjusted (%)



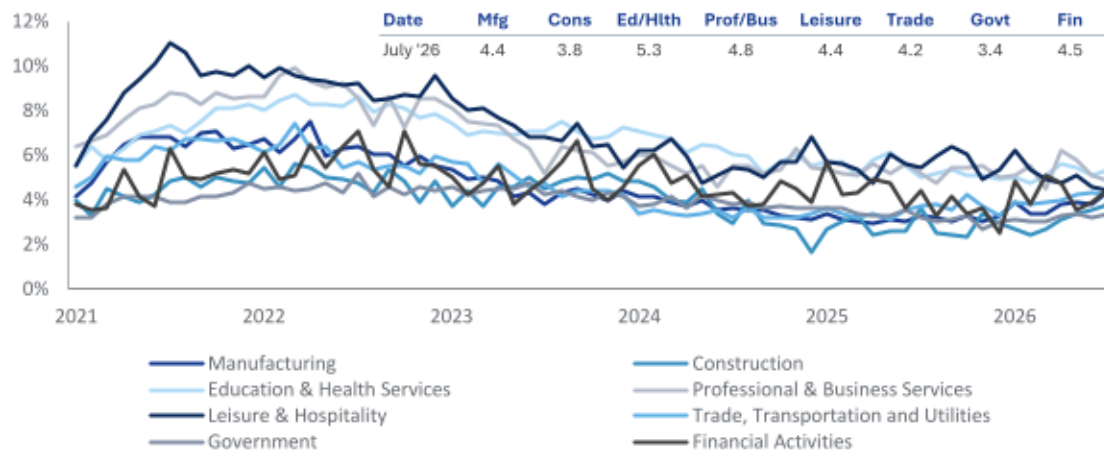
Total Nonfarm Employment Growth

New England states and U.S., year-over-year change (%)



Job Openings Rate by Industry

Job Openings and Labor Turnover Survey, New England (% of employment)



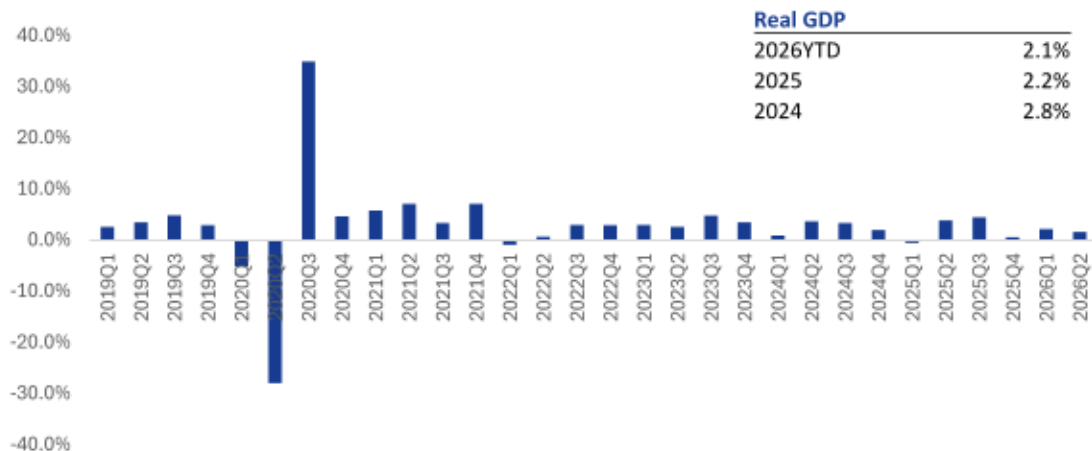
Takeaways

- Both the Nation and New England have seen employment growth stabilize at a low level, reflecting a combination of limited demand and supply, the latter due to declining labor market participation and immigration,
- Hiring remains concentrated in a few sectors, namely healthcare
- Breakeven employment growth, one that maintains the unemployment rate unchanged, has declined to a low range, estimated by economists between 25k to 50k per month
- Labor market conditions reflect a tenuous stability
 - Modest revisions to reported data can materially change our understanding, and
 - The "low fire low hire" environment represents a fragile balance as a pick-up in layoffs will quickly be reflected in a rising unemployment rate due to limited hiring by employers

GDP

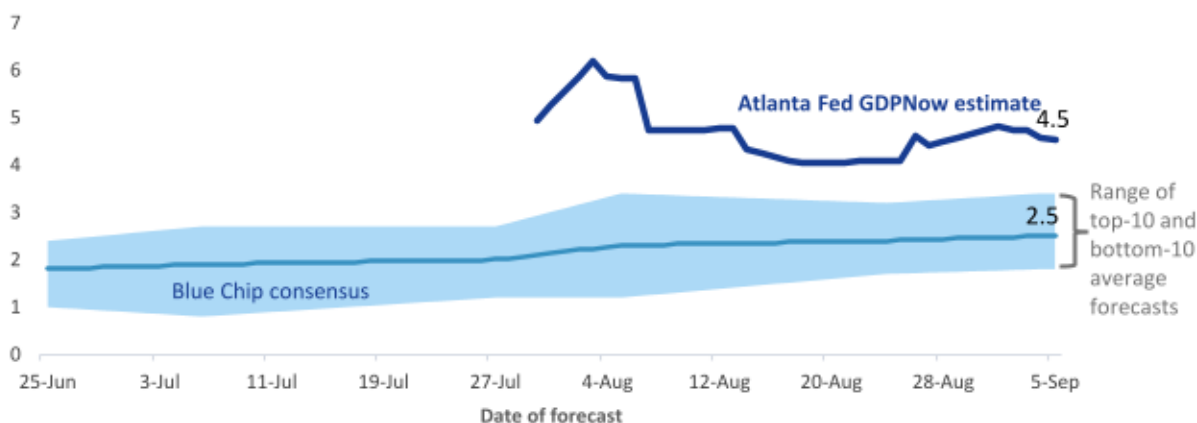
Real GDP Growth

Quarterly percent change, seasonally adjusted annual rate



Atlanta Fed GDPNow Estimate, 2026:Q3

Quarterly percent change (SAAR), by date of forecast

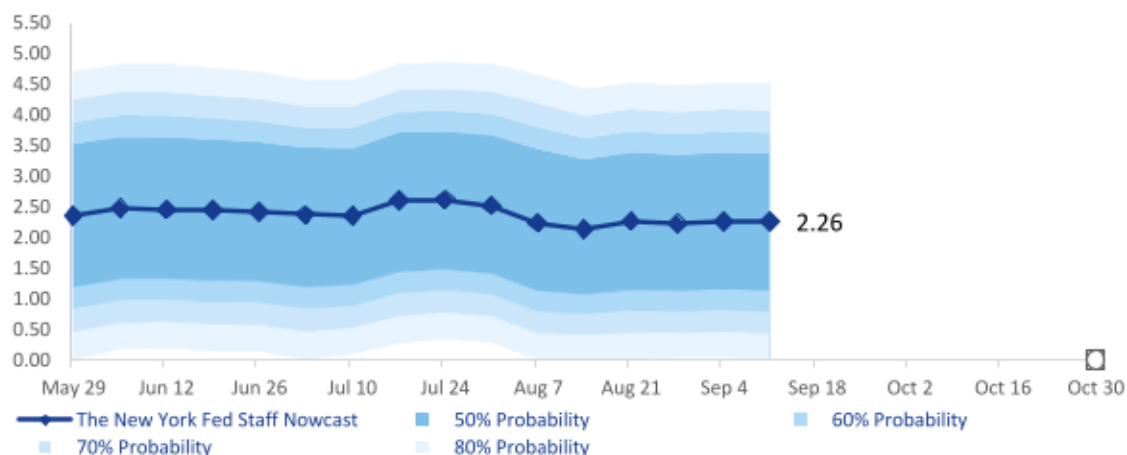


Takeaways

- Real GDP growth has moderated but remains positive as the economy has been able to absorb four successive supply shocks: COVID, War in the Ukraine, Tariffs, and War with Iran
- A seasonal pattern of low growth in Q1 and Q2 of each calendar year followed by stronger performance in the second half in part reflects the timing of the four supply shocks all of which occurred in H1 of their respective year
- Limited employment growth leaves increased productivity as the principal driver for economic growth,
 - Productivity has stepped up from ~1.5% in 2025 to ~2.0% in 2026
- High levels of uncertainty are reflected in sharp differences between two regional federal reserve bank regression models that show disparate Real GDP growth projections

New York Fed Staff Nowcast

Real GDP growth with probability bands, quarterly percent change (SAAR)



Treasury Rates

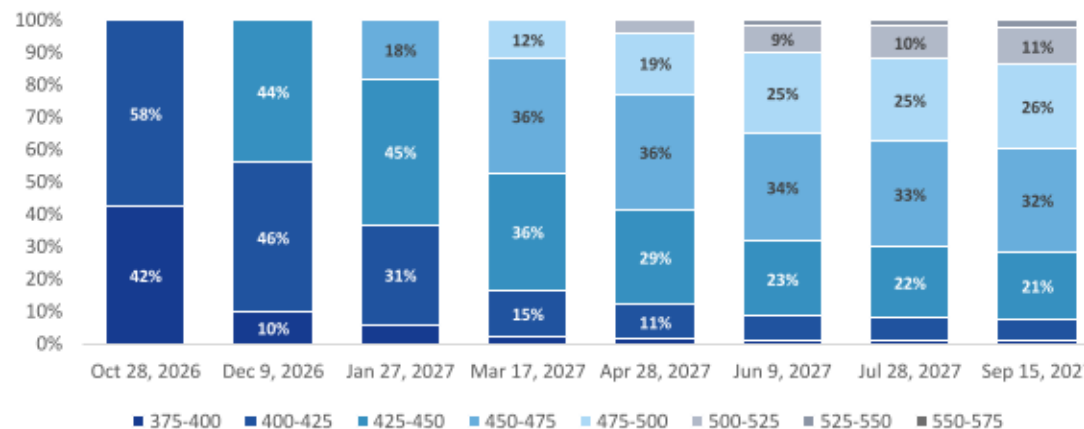
Treasury Yields and the Policy Rate

2-year UST, 10-year UST and fed funds effective rate, daily, percent, Jan 2019 – Sep 2026



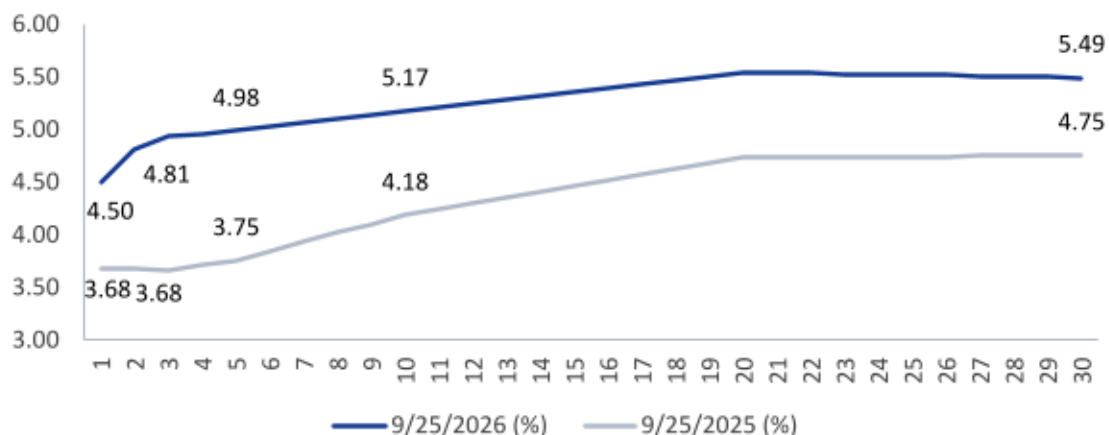
CME FedWatch: Implied Fed Funds Target Range

Futures Market-implied probability of each target range, by FOMC meeting date



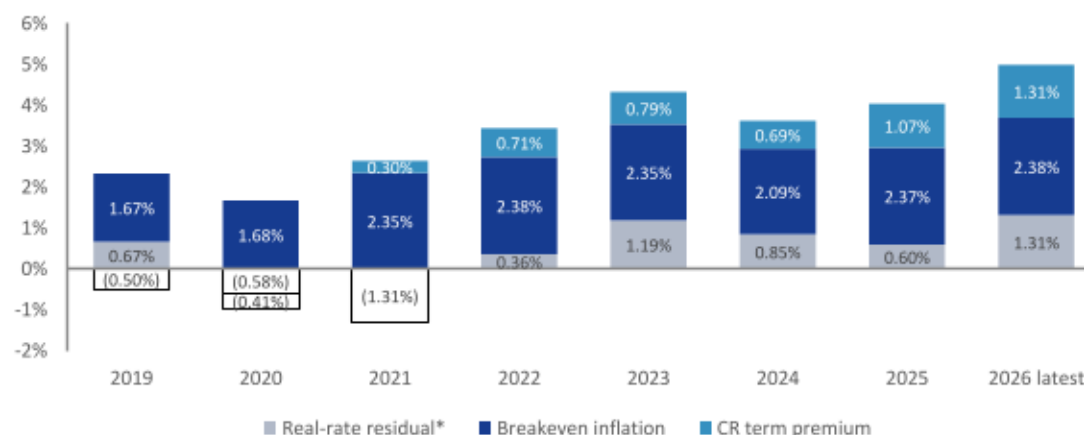
UST Par Yield Curve

Current versus one year ago, percent by maturity



10-year Treasury Yield Decomposition

Annual September snapshot, 2019-2026. Components in percentage points of yield.

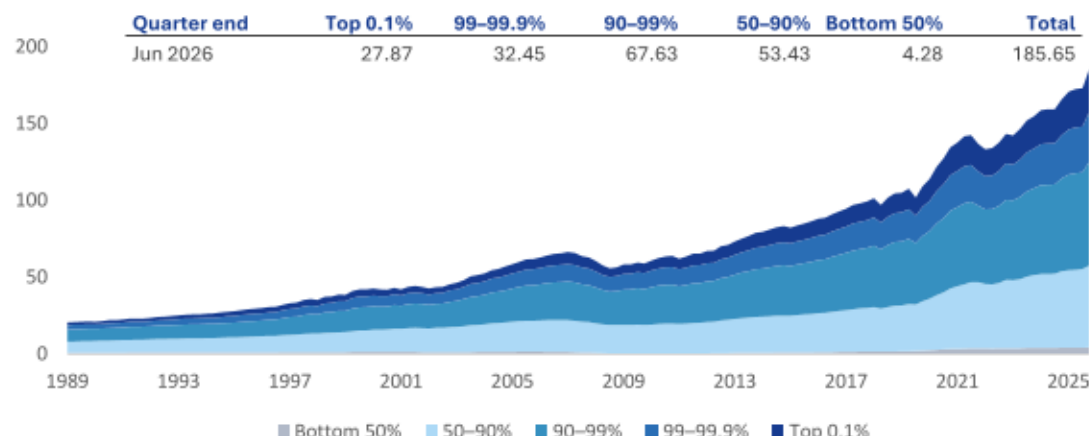


Sources: Federal Reserve Board via FRED; Federal Reserve Bank of San Francisco Christensen – Rudebusch model | *Real-rate residual equals the 10-year Treasury yield less 10-year breakeven inflation and the CR nominal term premium. Breakeven inflation equals the nominal Treasury yield less the comparable-maturity TIPS yield.

K-Economy and Housing Affordability

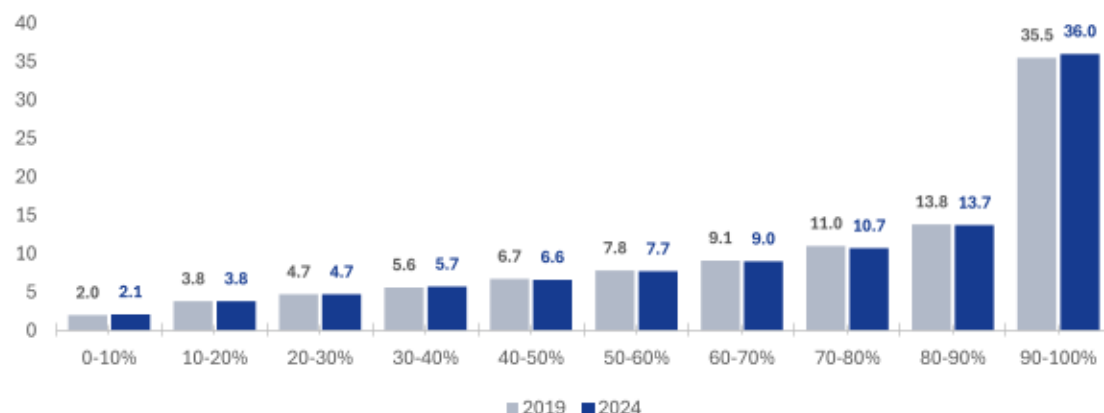
Household Wealth Distribution

Share of total U.S. household net worth by wealth group, \$ trillions, 1989 – 2026



Distributions of Personal and Disposable Income for Households

Share of national disposable income by income decile, percent, 2019 versus 2024



Northeast Home Values versus Income Growth

Zillow Home Value Index and state disposable income, 2019 – Aug 2026

State	Most Recent, 8/31/2026, Zillow Home Value Index (ZHVI)*	\$ Increase since 2019	As % of 2019	CAGR 2019 to 8/31/2026	CAGR 2019 to 2024	CAGR State DPI (2019 to 2024)	Difference in CAGR 2019 to 2024
Connecticut	\$ 450,873	192,490	74%	8.6%	6.7%	4.31%	-2.39%
Maine	\$ 415,551	181,747	78%	8.9%	7.4%	5.78%	-1.65%
Massachusetts	\$ 661,896	236,255	56%	6.8%	6.0%	5.29%	-0.76%
New Hampshire	\$ 516,306	235,344	84%	9.4%	7.5%	4.52%	-2.95%
Rhode Island	\$ 511,232	215,764	73%	8.5%	6.9%	4.57%	-2.29%
Vermont	\$ 399,053	134,807	51%	6.3%	6.0%	4.34%	-1.66%

Takeaways

K-Economy

- Run up in the country's unequal wealth distribution has been driven by significant increases in the net worth of the top 10%
- Income distribution remains unequal but has not seen a similar run-up in disparity
- Rising costs, especially for shelter, have reduced affordability with an estimated 49% of American households unable to cover essential expenses (The Urban Institute)

Housing

- The combination of increased median housing values and higher mortgage rates has made the resulting mortgage payment unaffordable for most homebuyers, with estimates ranging between 62% to 74.9% of households unable to afford a median home's mortgage payment (sources: National Assoc. of Homebuilders, Bankrate). Drivers include:
 - Increases in home prices have outpaced growth in disposable income
 - Lock-in effect of low mortgage rates has limited supply
 - First time homebuyers are taking longer to save for a downpayment and are being "outgunned" by all cash offers of recent home sellers
- Average age of a first-time home buyer is rising, though not likely as high as 40 years as recently reported by the National Assoc. of Realtors (NAR),
- The share of first-time home buyers has dropped to a historical low of 21% since the NAR began reporting the data series, and notably from ~50% to 21% in 2025

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Economic Growth & Financial Security

Promoting opportunity while strengthening Rhode Island's long-term financial position

- Rhode Island's K-shaped economy creates uneven opportunity and financial pressure.
- Rhode Island ranked 17th in median household income (2024), yet reflects uptick in recent quarters with construction and healthcare leading the pack.
- Personal income per capita ranks 23rd and is about 4% below the U.S. average, yet personal income tax withholding grew 6.6% in FY25, outpacing Massachusetts.
- Real disposable personal income per capita ranks 36th after accounting for taxes and living costs, yet it is stable and in line with New Hampshire and Maine.

The Cost-of-Living Challenge

Strong headline incomes do not tell the whole story

- Housing costs are approximately 5% above the national average, driven in part by people moving here to escape higher housing costs in neighboring states.
- Utilities are approximately 49% above the national average.
- Higher costs put pressure on middle- and lower-income households.
- Our focus: helping more Rhode Islanders build wealth and achieve financial security.

Creating Pathways to Financial Security

Programs designed to address immediate household financial pressures

- RI Savers: expanding access to retirement savings for workers without employer-sponsored plans. State-facilitated automatic-enrollment retirement savings program one of few nationally.
- Nearly 40% of RI private-sector workers lack access to an individual retirement account option.
- RI Anchor Home: low-cost mortgages, partnering with local banks to support first-time homebuyers and address housing shortage and rising costs of housing.
- Medical debt relief: more than \$16 million canceled for more than 9,000 Rhode Islanders, focuses on low-income households; reduces financial stress.

Strengthening Rhode Island's Financial Foundation

Stewardship today supports economic opportunity tomorrow

- Pension fund grew from \$10 billion to \$13.5 billion.
ERSRI 63.9% up from 60.7% prior year & Teachers 67.9% up from 64.8%.
- Pension fund returned 14% in the past fiscal year.
Significantly outperformed 7% actuarial assumption.
- OPEB fund ended FY26 with \$839 million and returned 13.11%.
- Continued focus on disciplined investing, diversification, and fiscal stewardship.
- Continually modernizing cash management systems.

A Foundation for Investor Confidence

Rhode Island's financial position is reflected in the bond market

- Fitch: AA+ | Moody's: Aa2 | S&P: AA
- Fitch upgraded RI GO to AA+/positive in 2024 enhancing state's market standing.
- \$221 million in taxable and tax-exempt general obligation bonds sold earlier this year
Proceeds included higher ed, K-12 schools, coastal resiliency & other capital needs.
- Tax-exempt bonds achieved the narrowest spread to the benchmark 20-year MMD scale in state GO issuance history. Spread to MMD was 10 basis points; TIC was 4.15%.
- Investor orders exceeded 3× the par value of the offering.
- Our goal: promote economic growth while protecting Rhode Island's long-term financial security.

New England States GFOA Fall Conference

Local Government Credit Trends

Michael Ryter
Senior Analyst
U.S. Local Governments

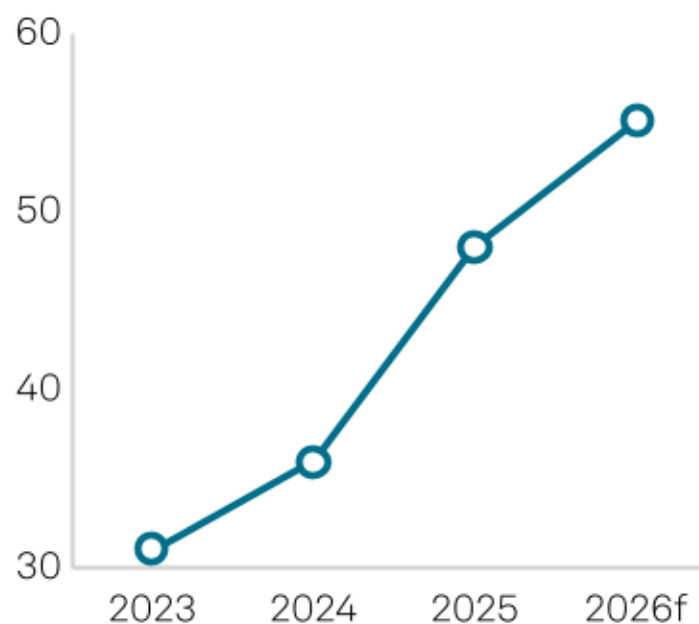
September 29, 2026



U.S. Local Governments | What We're Watching

Cities expecting harder budget balancing ahead

Percentage of cities feeling less able to balance next year's budget vs. this year



Top challenges cited in 2025-2026 city budgets

1. Use of one-time resources to fund services
2. Public safety personnel and overtime overruns
3. Rising pension and retirement liabilities
4. End of federal pandemic stimulus
5. Infrastructure and capital maintenance backlog
6. Property tax growth constraints

Source: National League of Cities, City Fiscal Conditions 2025

U.S. Local Governments | What We're Watching



Fiscal federalism under pressure

Policy shifts and changes continue to negatively affect states and, by extension, local governments.



Economic and demographic trends

Weaker GDP growth and slowing population momentum exacerbate other pressures.



State credit health shapes local fiscal landscape

If states balance their own budgets through cuts to locals, not all LGs will escape credit deterioration.



Climate

A shrinking federal role in disaster recovery and resilience will force exposed state and local governments to spend more, or face growing fiscal and economic risks.



AI and digital infrastructure

Data centers bring both risk and opportunity; Balancing the two will be tricky, especially for small, rural locals competing for development



Wild cards

- Limited appetite for higher taxes.
- Stress on LGs from public hospitals and utilities with weakened operations.

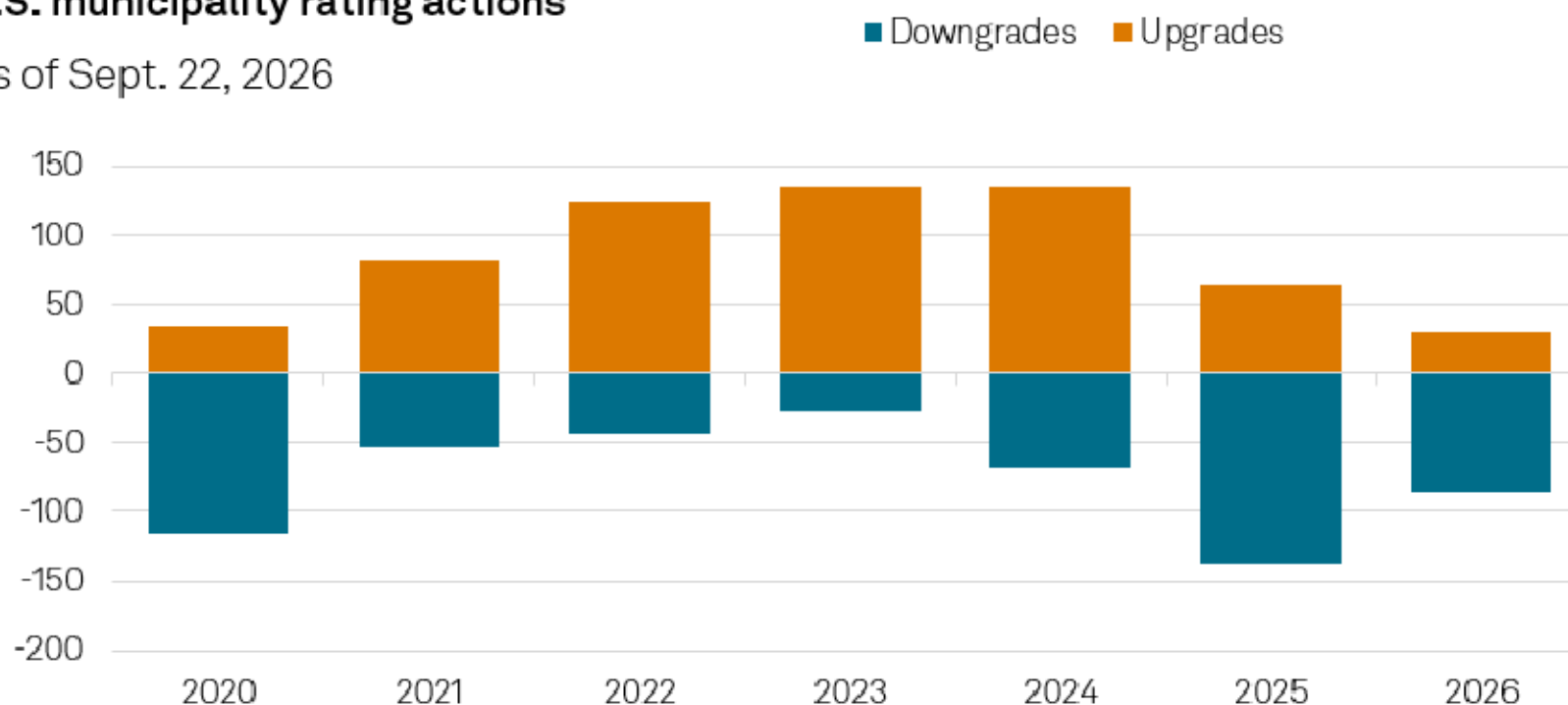
Source: S&P Global Ratings.

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U.S. Local Governments | Rating Transitions

U.S. municipality rating actions

As of Sept. 22, 2026



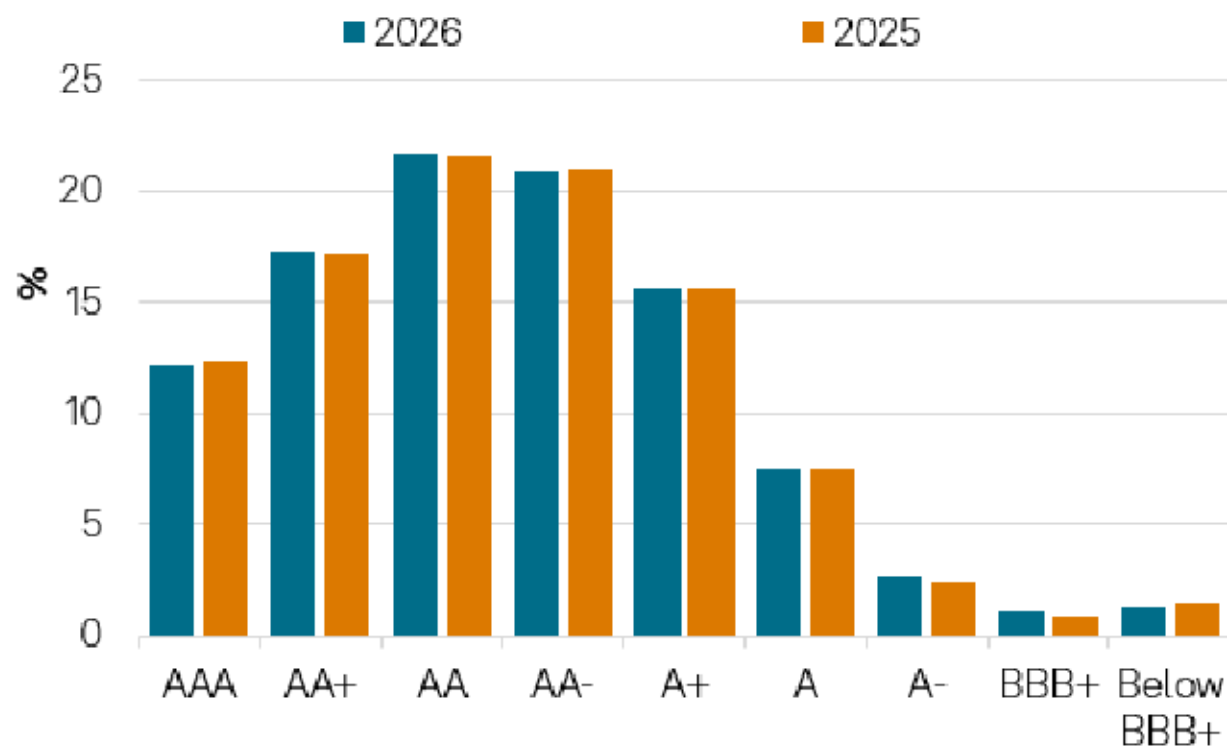
Source: S&P Global Ratings.

- 95% of Local Governments have a stable outlook (1% positive, 4% negative)

U.S. Local Governments | LGs Showing Resiliency Despite Pressure

Municipalities GO rating distribution

As of Aug. 31, 2026



Source: S&P Global Ratings.

U.S. Local Governments | New England Local Government Trends



Credit Fundamentals

- Mature local economies
- Generally predictable revenues and expenditures
- Steady operating performance despite headwinds
- Typically careful budgeting and some capital planning



Potential Challenges

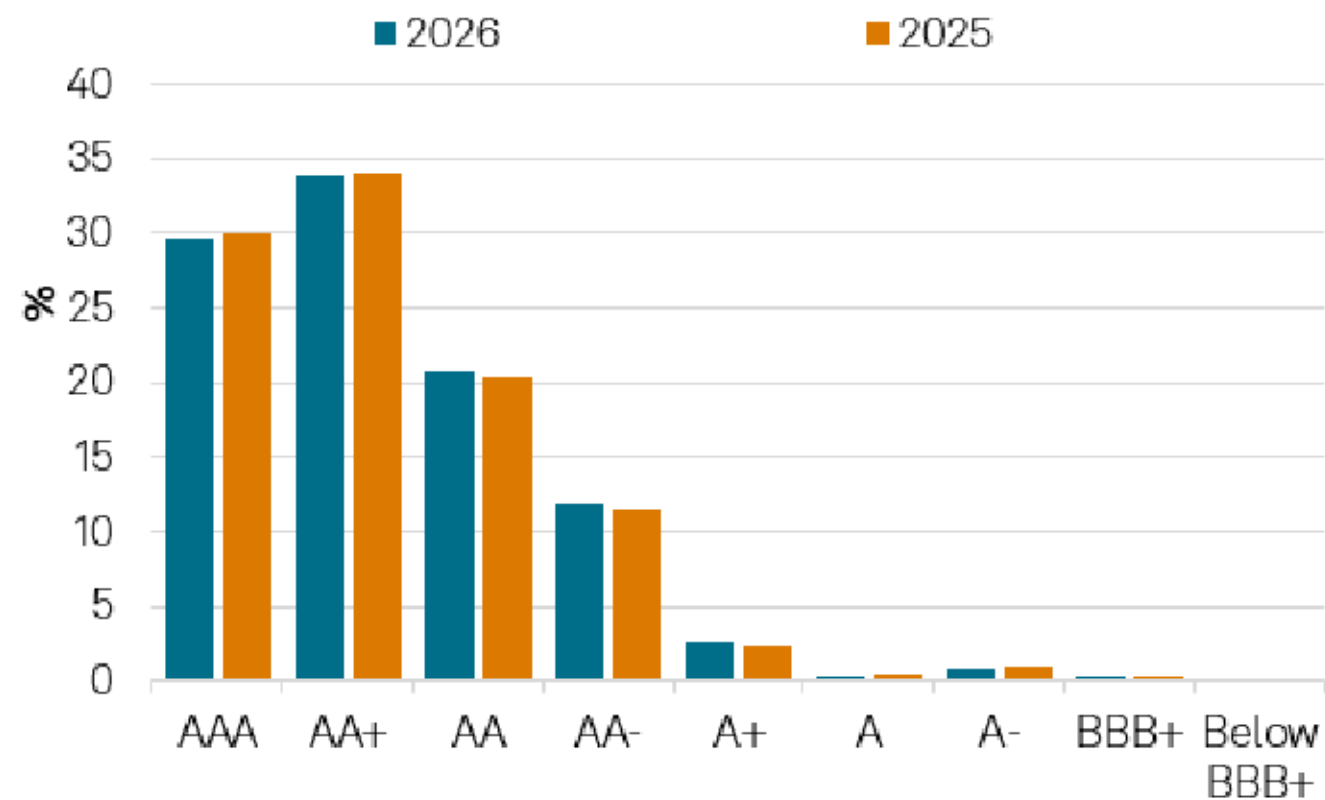
- Operating pressure from rising costs
- Below average projected income, economic output, and population growth
- Poorly funded retirement liabilities (especially MA, RI, and NH)
- Elevated environmental risks along the coast
- Ongoing audit completion delays

Source: S&P Global Ratings.

U.S. Local Governments | New England Ratings

New England municipalities GO rating distribution

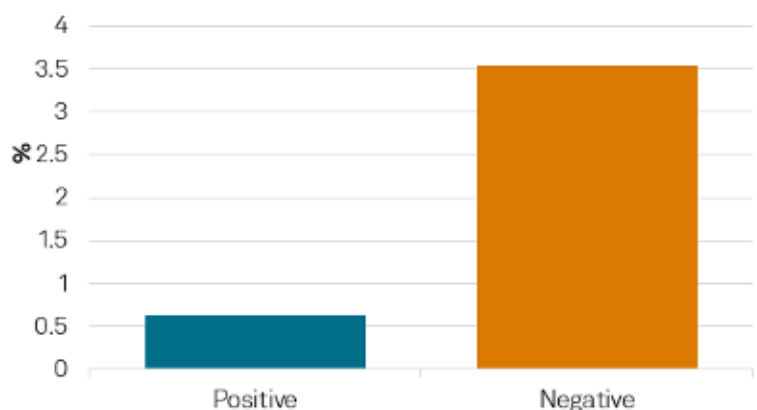
As of Aug. 31, 2026



Source: S&P Global Ratings.

New England LG non-stable outlooks

As of Sept. 22, 2026

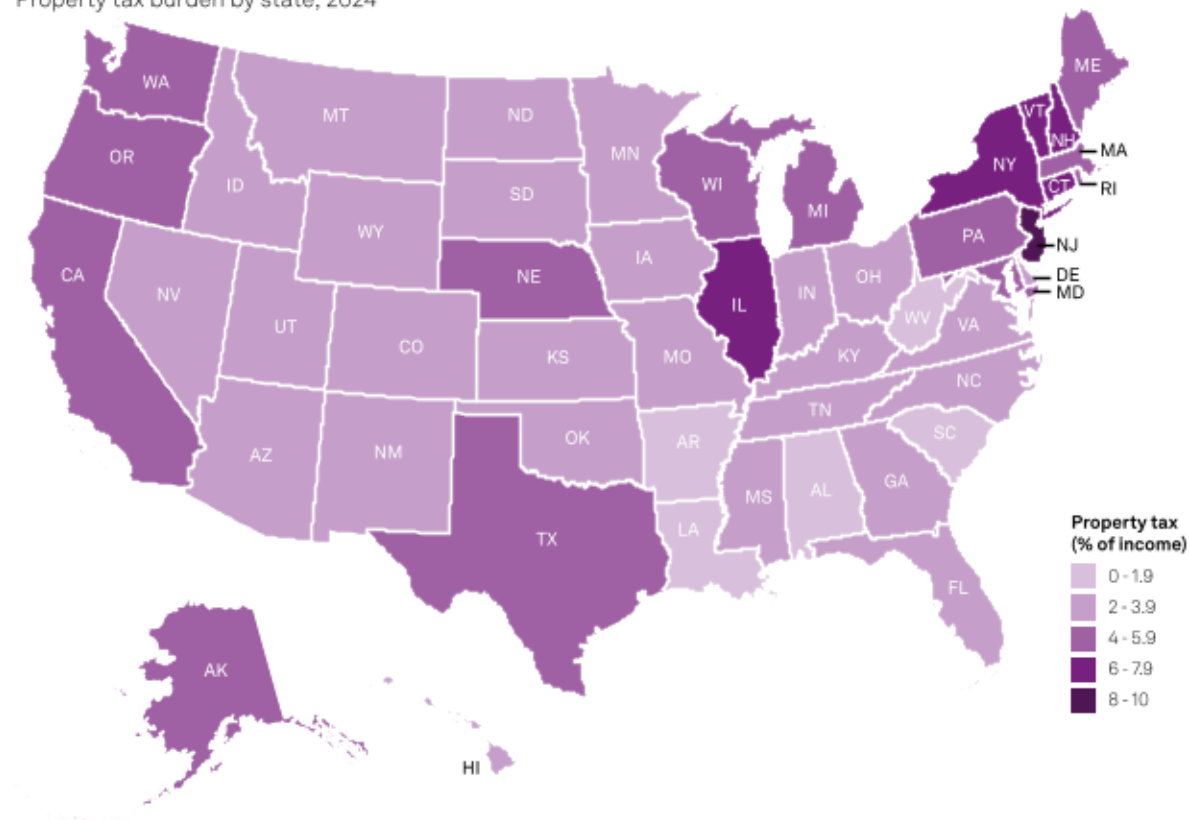


Source: S&P Global Ratings.

U.S. Local Governments | Affordability Pressures in New England

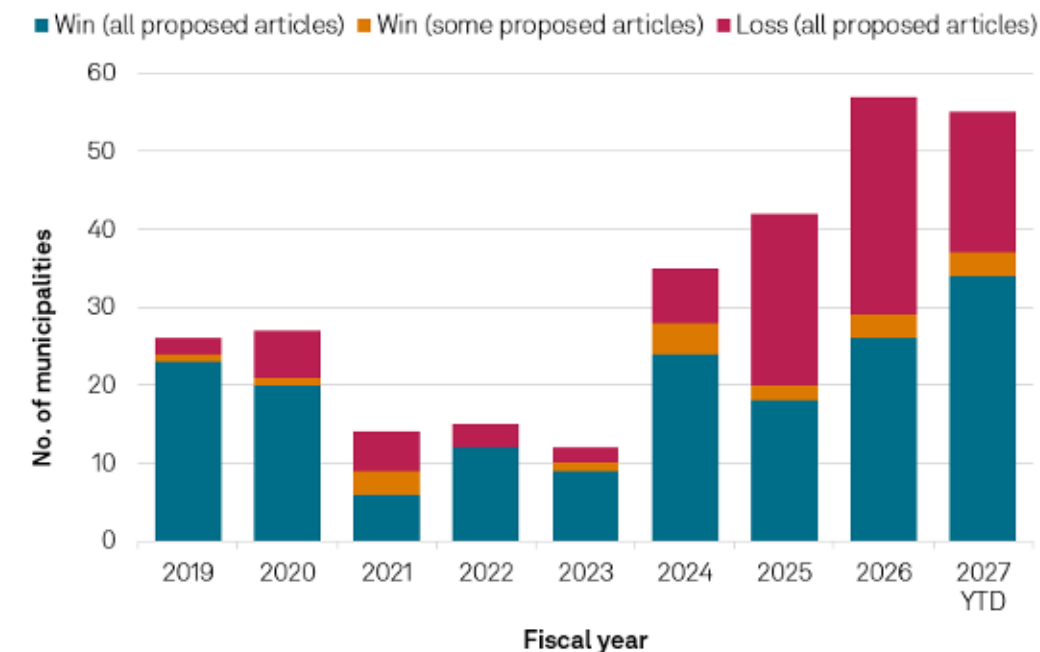
The highest property taxes remain concentrated in New England

Property tax burden by state, 2024



Property tax data, 2024 five-year American Community Survey; median income data by state, S&P Global Market Intelligence.
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More municipalities are turning to Proposition 2 1/2 overrides in response to budget pressure



Source: MA Division of Local Services, S&P Global Ratings. Data as of September 17, 2026. Fiscal year is the year in which the proposed override would take effect.

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Municipal Market Considerations

Raymond James Public Finance | September 29, 2026

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Municipal Long-Term Issuance

2026 YTD (end of August) issuance volume totaled \$399.7B, ahead of last year's record volume by 2.4%

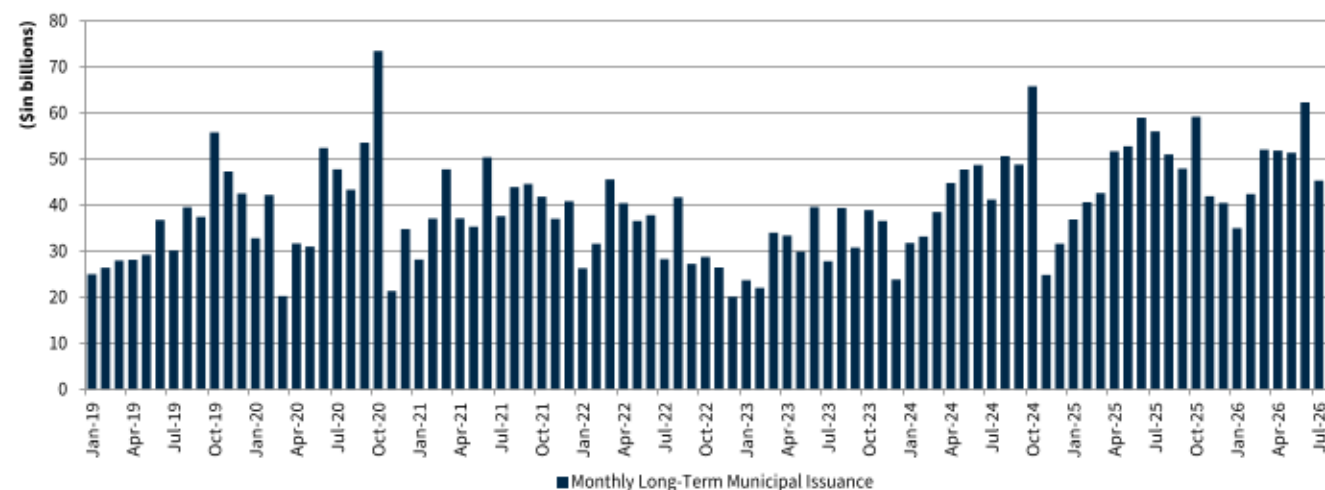
Issuance in September 2026 is projected to be approximately \$50~ billion

Annualized, the range of issuance for 2026 could be between \$590 billion to over \$600 billion

By year end, long-term municipal new issuance volume could be up over 57% since the 2023 low

Monthly Issuance

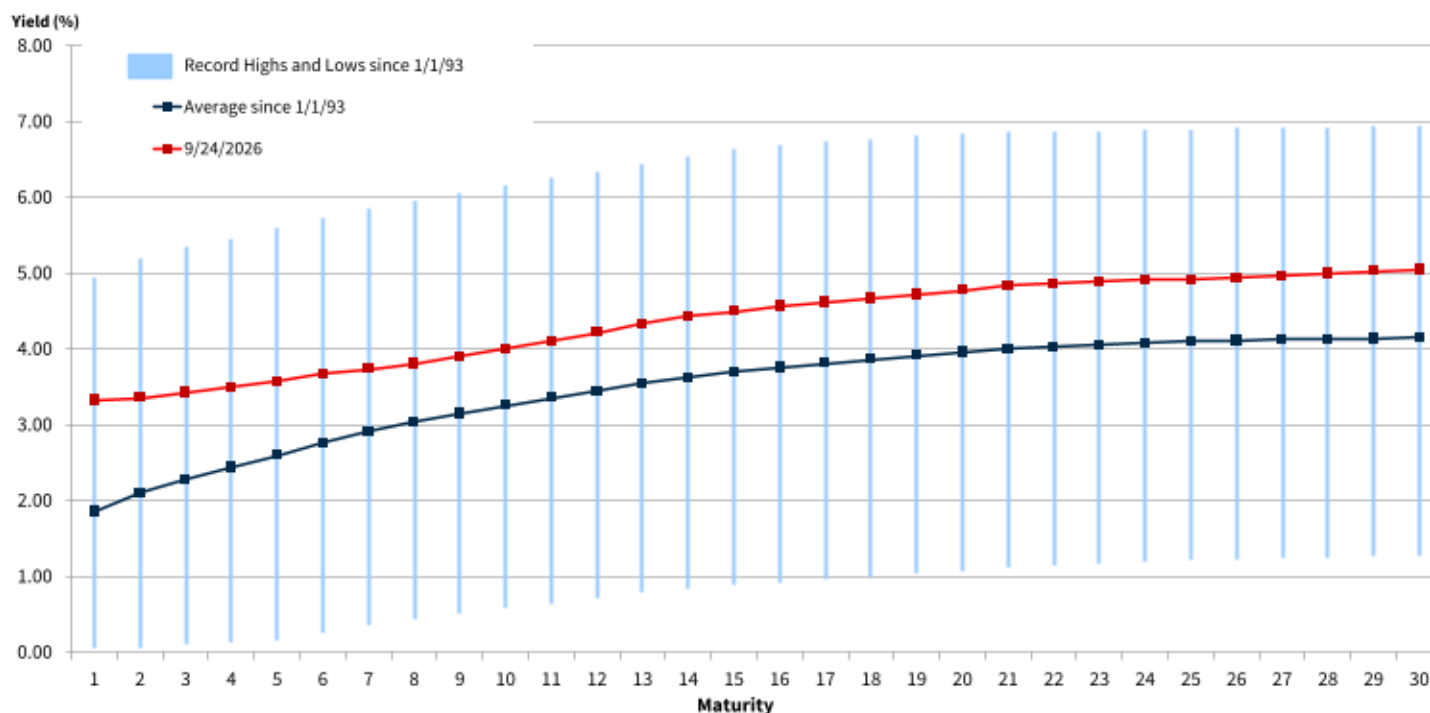
Municipal Long-Term Issuance								
\$ in billions	2020	2021	2022	2023	2024	2025	2026	YoY %
January	\$32.793	\$28.182	\$26.293	\$23.733	\$31.769	\$36.852	\$35.016	-4.98%
February	42.229	37.052	31.602	22.011	33.168	40.641	42.397	4.32%
March	20.262	47.763	45.555	34.008	38.517	42.640	52.047	22.06%
April	31.650	37.105	40.423	33.377	44.800	51.651	51.800	0.29%
May	30.991	35.342	36.583	29.889	47.713	52.747	51.349	-2.65%
June	52.390	50.364	37.775	39.601	48.666	58.963	62.305	5.67%
July	47.782	37.601	28.258	27.843	41.193	56.001	45.321	-19.07%
August	43.362	43.885	41.716	39.369	50.653	50.991	59.512	16.71%
September	53.513	44.563	27.251	30.822	48.802	47.933		
October	73.448	41.811	28.724	38.923	65.799	59.182		
November	21.359	37.000	26.415	36.574	24.861	41.888		
December	34.822	40.840	20.121	23.842	31.646	40.448		
Total	\$484.601	\$481.508	\$390.715	\$379.992	\$507.585	\$579.936	\$399.747	2.37%



Historical AAA MMD Rates Since 1993

This graph shows the range between the record highs and lows of AAA MMD at each maturity since 1993, along with average rates over this time frame and the current rates.

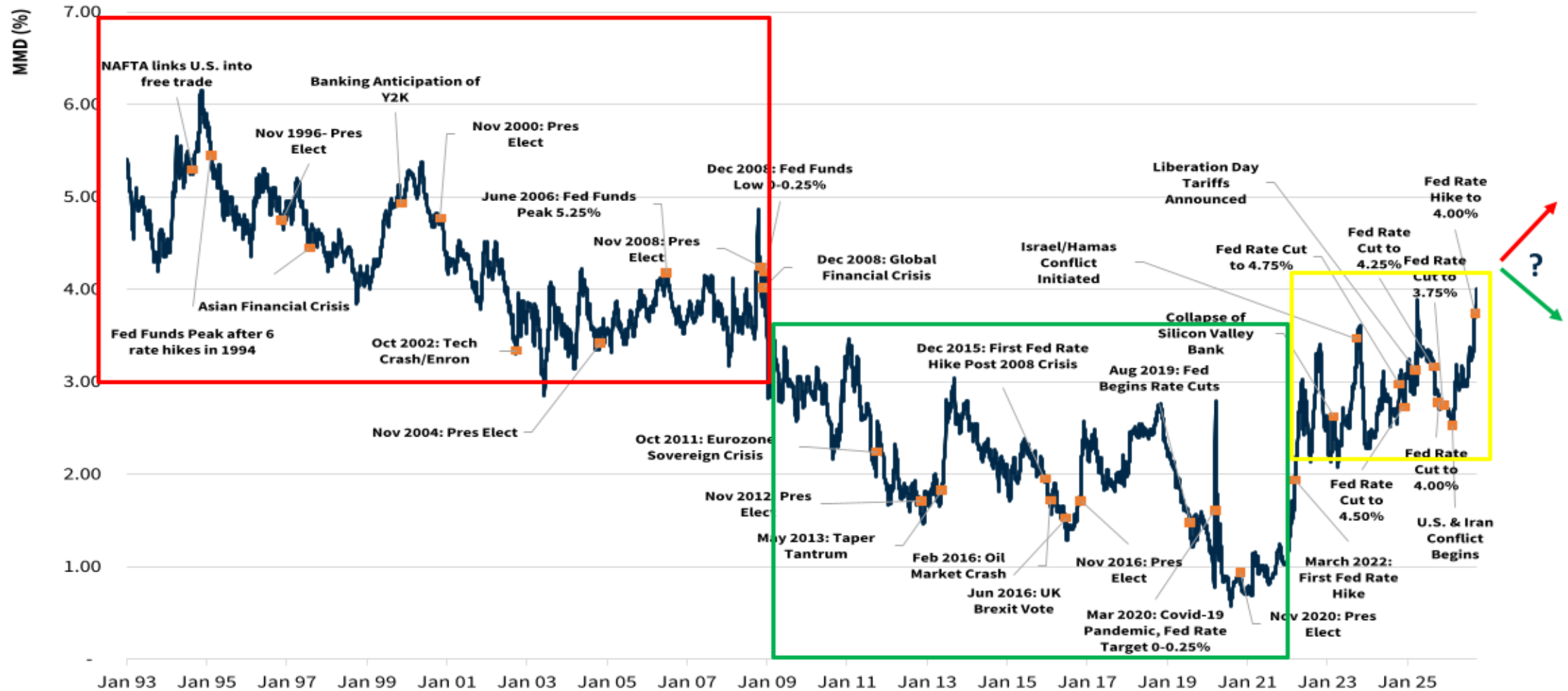
Record high & low MMD rates vs. current



	1	5	10	15	20	25	30
Record Low since 1/1/93	0.05	0.16	0.58	0.88	1.08	1.22	1.27
Record High since 1/1/93	4.95	5.60	6.15	6.65	6.85	6.90	6.95
Average since 1/1/93	1.94	2.61	3.23	3.67	3.95	4.09	4.14
Current (09/24/26)	3.33	3.58	4.01	4.50	4.78	4.92	5.05

10Yr AAA MMD Rate History Since 1993

Are we headed for higher-for-longer rates?



Economists Interest Rate Forecast

The Fed made three, 25 bps rate cuts (lower) in 2025: September 17th, October 29th, and December 10th. The Fed recently hiked (increased) rates by 25 bps in September (3.75% to 4.00%) and is expected to hike again in October or December.

Economist Consensus

US Treasury	Current Rate	2026		2027				2028				Change from Current
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
2 Year	4.92%	4.40%	4.20%	4.05%	3.92%	3.84%	3.78%	3.64%	3.59%	3.57%	3.58%	-1.34%
Economists Surveyed		49	53	50	49	42	41	28	27	26	26	
10 Year	5.18%	4.79%	4.65%	4.55%	4.47%	4.42%	4.41%	4.31%	4.25%	4.22%	4.19%	-0.99%
Economists Surveyed		54	59	54	53	45	45	29	28	27	27	
30 Year	5.47%	5.24%	5.15%	5.06%	4.99%	4.95%	4.93%	4.83%	4.77%	4.75%	4.74%	-0.73%
Economists Surveyed		40	42	41	41	34	33	23	22	21	21	

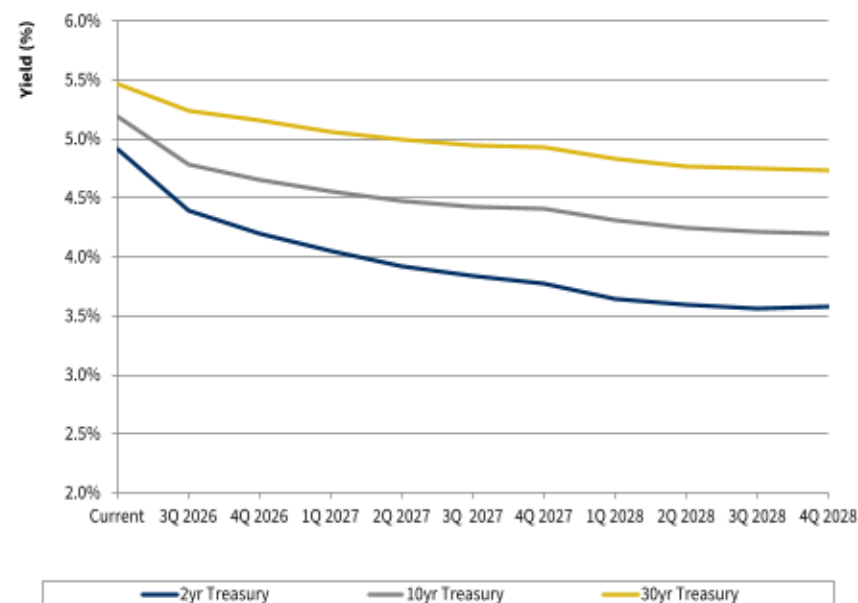
*Source: Bloomberg as of September 24, 2026.

Bloomberg Consensus

	Current Rate	2026		2027				2028	Change from Current Rate to 2028 Q1
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Real GDP	1.50%	2.50%	2.00%	2.10%	2.18%	2.20%	2.20%	2.10%	0.60%
Consumer Price Index	3.40%	3.30%	3.30%	3.00%	2.01%	2.26%	2.20%	2.18%	-1.22%
Unemployment	4.10%	4.20%	4.30%	4.28%	4.24%	4.20%	4.20%	4.20%	0.10%
Fed Funds Target	4.00%	3.94%	4.02%	3.94%	3.80%	3.73%	3.67%	3.53%	-0.47%
3-month SOFR	4.05%	4.07%	3.84%	3.73%	3.63%	3.56%	3.51%	3.44%	-0.61%

*Source: Bloomberg as of September 24, 2026.

Treasury Rate Forecasts



Municipal Market Considerations

POTENTIAL CONCERNS

- Federal Funding Uncertainty
 - Grant reductions, delayed reimbursements, changing eligibility, uncertainty on funding timing
- Construction/Capital Cost Pressures
 - Inflation, tariffs, cost of oil & gas, workers shortage
- Delayed Financials
 - Personnel turnover, systems changes, rating withdrawal, investor considerations
- Cybersecurity
 - Closing procedures, operational disruption, financial cost, potential credit implications
- Pension and OPEBs
 - Investment returns, life expectancy, healthcare costs
- Heavy Municipal Supply Going Forward
 - ARPA funds end, deferred maintenance, wider spreads

POTENTIAL OPPORTUNITIES

- Reinvestment Earnings
 - High short-term rates (4.50%, 1 yr to 5.00%, 5 yr)
- High Investor demand
 - Record positive municipal fund flows and strong retail demand, especially with absolute yields crossing 5.00%
- Financing Tools
 - Take advantage of refinancing opportunities, short-term funding vehicles, financing structures
- Timing of Issuance
 - Flexibility, January effect, high bond redemptions in summer months, municipal calendar diligence, negotiated sales
- Investor and Rating Agency Outreach
 - Transparency, proactive engagement, voluntary EMMA notifications

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