CREDIT CLUSTER AND CONTAGION RISK RELATED TO DISTRESSED MUNICIPALITIES

BY

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Focus
- Cluster and contagion risk
- Interdependencies (e.g., economic base, intergovernmental fiscal relationships)

Contribution
- Substantial improvement over our current understanding of financial condition analysis
- Model can be used by local governments to identify interdependencies and manage contagion risk
- States could manage risk exposure (e.g., state guaranteed tax-supported debt, pension liabilities)

Limitation(s)
- Defining the relevant economic base and fiscal interdependencies
- Model specification particularly on the fiscal interdependencies
- Access to good data
- Broader application may be limited (non-regional governments, small rural communities)