
Public or Private? For Tribes, Access to Bond Markets Carries Cost Considerations.

Tribes can face higher expenses for public bond offerings than they face for private placements

Municipal bonds are a basic tool of public finance. Local and state governments rely on these debt obligations to pay for an array of capital projects, like roads, schools, and water systems. For tribal governments, however, use of municipal bonds is a different story. For example, as explored in previous Center for Indian Country Development (CICD) research, tribal governments have fewer allowable uses for their tax-exempt bonding than local and state governments have.

Recently, we explored another limitation on tribal bonding: tribes are likely to face higher costs for issuing bonds in the public market than other governments in the United States face. When we ran hypothetical scenarios of different tribal bond placements, we found that if a specific legal exemption that other governments receive applied to tribes, tribal public bond offerings could be more cost-effective. Our work to better understand tribal bonding is part of CICD's mission to advance economic self-determination and prosperity in Indian Country through actionable data and research that inform public policy discussions. This work aligns with the Federal Reserve Bank of Minneapolis' broader mission to pursue an economy that works for all of us.

Public offerings vs. private placements

When offering bonds to potential investors, issuers choose between public offerings or private placements. A public offering means an issuer is choosing to sell bonds in the public market, made up of all interested investors. A private placement means an issuer is choosing to sell bonds to select investors or a class of investors.

Continue reading.

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