

## **NASBO Summaries of Fiscal Year 2025 Enacted Budgets.**

[View the NASBO summaries.](#)

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## **Fitch: US State Budgets Downshift Into a Slower New Normal**

Fitch Ratings-New York-09 September 2024: U.S. states are taking a slow and steady approach to their fiscal 2025 budgets, according to Fitch Ratings in its latest annual report.

State budgets are in fiscally sound positions with extraordinary post-pandemic revenue performance buying them time to strengthen their financial operations. This prudent approach is proving useful, says Senior Director Karen Krop.

“States have returned to more typical budgeting practices for fiscal 2025, with modest revenue growth expectations and a need to address some expenditure pressure,” said Krop. “The end result is still robust dedicated operating reserves, with some states dipping into accumulated balances for one-time spending and others tapping rainy day funds to help balance their budgets.”

The wave of significant tax policy changes seems to have peaked. Fewer states are incorporating tax cuts into their budgets, with some notable exceptions. Few states are raising revenues, although California did so on a temporary basis to address its revenue gap. New Jersey and Illinois similarly raised revenues.

Slower revenue growth means states are moderating spending expectations after relatively high budget growth during and after the pandemic. They continue to fund high-priority initiatives, including addressing homelessness and housing affordability. Several states, including Massachusetts, New York, Utah, Vermont, and Oregon, are investing in programs. “States are also allocating resources for natural disaster response, such as wildfire recovery in California and Hawaii, flood damage response in Vermont, and adding funds for emergency preparedness in Florida,” said Krop.

‘2025 U.S. State Budgets Back to Normal’ is available at [www.fitchratings.com](http://www.fitchratings.com).

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## **S&P U.S. Public Finance: Methodology For Rating U.S. Governments**

This criteria article presents S&P Global Ratings’ new methodology for rating U.S. governments.

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## **[S&P Institutional Framework Assessments For U.S. Local Government Portfolios.](#)**

In this article, S&P Global Ratings provides the institutional framework (IF) assessments it derives from the application of the criteria “Methodology For Rating U.S. Governments,” published Sept. 9, 2024. This commentary is intended to be read in conjunction with those criteria.

### **Key Publication Information**

- This article is related to “Methodology For Rating U.S. Governments,” Sept. 9, 2024.
- We will update this publication periodically to summarize our latest institutional framework assessments for U.S. local government portfolios.

### **Institutional Framework Assessments**

The IF is the set of formal rules and laws—as well as practices, customs, and precedents—that shape the environment in which U.S. governments operate. Our assessment is mostly qualitative and considers the historical track record as well as changes that are likely to shape the framework. As stated in the U.S. governments criteria, factors in our assessment are:

- Predictability;
- Revenue and expenditure balance and system support; and
- Transparency and accountability.

State constitutions and state laws broadly dictate the terms under which U.S. governments operate. Therefore, we assess the institutional framework by state and type of government. When the legal or practical environment for a specific local government differs from the norm in its state, we assess that specific government accordingly. Special districts generally receive the same IF assessment as municipalities in that state.

The table shows our assessments for 136 institutional frameworks in the U.S.

[Continue reading.](#)

**[Free Registration Required.]**

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## **[S&P U.S. Public Finance RFC: Methodology For Rating U.S. Governments](#)**

On Jan. 11, 2024, S&P Global Ratings published a request for comment (RFC) on its proposed revisions to the approach it uses to rate U.S. governments. Following feedback from the market, we finalized and published our criteria, titled “Methodology For Rating U.S. Governments,” on Sept. 9, 2024.

We’d like to thank investors, issuers, and other intermediaries who provided feedback. This RFC process summary provides an overview of the changes between the RFC and the final criteria as well as the rationale behind those changes.

## **External Written Comments Received From Market Participants That Led To Significant Analytical Changes To The Final Criteria**

Comment: One commenter recommended that the methodology reflect whether state or local governments assess the need for capital investments and measure and report liabilities for current and future deferred maintenance and preservation needs. They suggested this could be assessed as part of the Management: Long-term planning subfactor or as an adjustment to the Management factor. The commenter also recommended we assess a government's pension stress testing and risk reporting as an adjustment within the Debt and liabilities, Management, or Institutional framework sections of the criteria.

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## **Posh Real Estate Deals Boom in High-Flying Junk Muni Market.**

- **Risky muni returns are beating US corporate high-yield debt**
- **Atlanta and Miami projects sold high-yield muni debt this year**

High-end real estate developments are tapping the municipal-bond market, leading to a slew of so-called luxury dirt deals and fueling returns for investors willing to take on the risk.

This year, state and local debt buyers have helped finance a vacation-home golf enclave in Florida, a resort near Zion National Park and a \$4.2 billion redevelopment in Atlanta's downtown. The deals — all high-yield and sold exclusively to sophisticated investors — represent a niche corner of a market that typically raises money to build schools, roads and bridges.

Some of these offerings have been oversubscribed and repriced tighter, helping to boost returns for junk-rated muni-bonds to a 7.2% gain this year, outpacing their investment-grade counterparts by more than 5 percentage points, according to data compiled by Bloomberg. The risky state and local debt is also beating US high-yield corporate debt.

[Continue reading.](#)

### **Bloomberg Markets**

By Sri Taylor

September 11, 2024

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## **Planning for a Daunting New Normal of Flood Risk.**

**Rainfall patterns are changing. What can local leaders do to curb the growing risks?**

### **In Brief:**

- Floods are the most common and expensive weather-related disaster.
- Changing rain patterns are increasing their frequency.
- A study by a Virginia sanitation district offers an example of infrastructure planning that takes

climate into account.

The 10 warmest years since record-keeping began 150 years ago were all in the last decade. Warmer air absorbs more moisture, and this moisture is now more and more likely to come down in buckets, increasing the frequency and scale of flood risks to communities.

Climate impacts are making an already-bad situation worse, says Mami Hara, CEO of the nonprofit US Water Alliance. "We were already in a deep hole from underinvestment and systemic inequities of infrastructure investment and services," Hara says.

[Continue reading.](#)

**governing.com**

by Carl Smith

Sept. 12, 2024

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## **[The Potential for Increased Municipal Debt Activity as Interest Rates Decline in CY 25-26.](#)**

The prospect of declining interest rates presents a significant opportunity for municipal debt issuance and capital project activity among local governments.

For sophisticated investors, understanding the dynamics at play is crucial. Lower interest rates reduce the cost of borrowing, which can incentivize municipalities to issue new debt or refinance existing obligations. As the yield curve slowly normalizes, issuers can secure long-term financing at more favorable rates, thereby lowering the overall debt service costs. This environment often encourages local governments to accelerate capital projects that were previously shelved due to higher borrowing costs.

In this article, we will take a closer look at the interest rate forecast and how it may foster an attractive issuance timeframe for municipal governments.

[Continue reading.](#)

**dividend.com**

by Jayden Sangha

Sep 12, 2024

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## **[The Case for Long-Term Munis: Positioning for Rate Cuts](#)**

With potential rate cuts on the horizon, long-term municipal bonds are emerging as an attractive option due to their higher yields, tax benefits, and potential for price appreciation.

**The Case for Long-Term Munis: Positioning for Rate Cuts**

The Federal Funds rate has held steady at 5.33% for over a year, but the Federal Reserve (Fed) is now signaling that this period may be coming to an end. With potential rate cuts on the horizon in September, long-term municipal bonds are becoming more attractive. This blog will explore why now could be the ideal time to consider reallocating into long-term munis.

[Continue reading.](#)

## **VanEck**

by Drew Anderson  
*Product Analyst*

September 13, 2024

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### **Don't Let an Election Year Keep You From Munis.**

A forthcoming presidential election might create some angst among prospective investors in municipal bonds. However, history typically shows that election years don't produce major volatility swings.

Because presidential candidates can bring differing policy agendas to the table, the implications on municipal bonds could cause a degree of worry. However, historically speaking, they don't make much of an impact.

"Historically, presidential elections have generally had limited bearing on muni market returns," [noted](#) AllianceBernstein, confirming that powerful economic events had more of an impact on munis than elections.

If recent history is an indicator, a presidential election year should actually be a good time to invest in munis.

"Republicans and Democrats each won three elections since 2000, and muni bond returns were positive for each election calendar year and the year after in four of the six periods," AllianceBernstein added.

If that helps to quell any anxiety, one fund investors will want to consider for muni exposure is the Vanguard Tax-Exempt Bond ETF (VTEB). The ETF cracked the list of top muni bond funds to consider in U.S. News.

"These are debt instruments issued by states, cities, counties and other governmental entities to raise funds to pay for public projects such as roads, bridges and schools," noted Nathan Will, principal and head of municipal credit research at Vanguard.

If investors are concerned about credit quality, they shouldn't be, as most munis are situated between its safe haven Treasury and investment-grade corporate bond peers.

"Municipal bonds are generally a high-quality asset class with a very low historical default rate," Will added. "What sets them apart is the combination of strong credit fundamentals and the opportunity to earn tax-exempt income."

## **Diversification and Liquidity**

VTEB tracks the Standard & Poor's National AMT-Free Municipal Bond Index, which measures the performance of the investment-grade segment of the U.S. municipal bond market. Overall, this index includes municipal bonds from issuers, primarily state or local governments or agencies whose interests are exempt from U.S. federal income taxes and the federal alternative minimum tax.

Overall, muni funds can offer distinct advantages to fixed income investors. Aside from their tax exempt income distributions are their diversification and liquidity.

"There are several advantages to using a fund structure for investing in municipal bonds," said Stuart Gillin, assistant vice president and investment advisor at Baker Boyer Bank. "Municipal bond funds provide diversification that can be difficult for investors to achieve on their own and are more liquid than individual bonds."

**etftrends.com**

by Ben Hernandez

September 11, 2024

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## **[It's a Great Time to Invest in Munis: Franklin Templeton's Johnston](#)**

"You don't want to be late to this party," Jennifer Johnston, director of research at Franklin Templeton's Municipal Department, says while explaining why it's a great time to invest in the municipal bond market on "Bloomberg The Close."

[Watch video.](#)

### **Bloomberg Markets: The Close - Muni Moment**

September 12th, 2024, 1:57 PM PDT

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## **[SIFMA US Municipal Bonds Statistics.](#)**

SIFMA Research tracks issuance, trading, and outstanding data for the U.S. municipal bond market. Issuance data is broken out by bond type, bid type, capital type, tax type, coupon type and callable status and includes average maturity. Trading volume data shows total and average daily volume and has customer bought/customer sold/dealer trade breakouts. Outstanding data includes holders' statistics. Data is downloadable by monthly, quarterly and annual statistics including trend analysis.

### **YTD statistics include:**

- Issuance (as of August) \$335.5 billion, +34.0% Y/Y
- Trading (as of August) \$13.0 billion ADV, +4.1% Y/Y
- Outstanding (as of 1Q24) \$4.1 trillion, +1.0% Y/Y

[Download xls](#)

September 3, 2024

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## [How City Governments Can Navigate the Fiscal Cliff.](#)

In my experience working with city governments, I've seen firsthand cities like Los Angeles, Chicago, Sacramento, and St. Louis struggle with resource constraints and grapple with the significant challenges cities face in balancing budgets, maintaining public services and managing infrastructure needs. Today's situation has become increasingly dire for many municipalities that once relied on robust federal funding and a strong market. Recent economic shifts have intensified these issues.

### **What is a fiscal cliff?**

A fiscal cliff, a term that underscores the urgency and potential abruptness of the financial crisis, occurs when local governments experience a sudden and severe economic downturn due to declining revenues and increasing expenditures. This can be triggered by various factors, including reduced tax revenues during economic slumps, decreased state and federal aid, and rising costs for public services, infrastructure, pensions and health care. It means that immediate action is needed to prevent severe repercussions.

The fiscal crisis facing cities is a result of a perfect storm: the reduction of federal grant dollars, reduced tax revenues, increased demands, especially in urban areas, and rising inflation. These factors mean that governments must do more with less. It's why all city leaders, not just those in finance, must be well-versed in the different types of budgetary concerns and how to navigate them.

[Continue reading.](#)

**americancityandcounty.com**

Written by Abhi Nemani

28th August 2024

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## [Muni Debt Sales Set to Surge to Four-Year High Ahead of Election.](#)

- **Visible supply totals \$21 billion for the next 30 days**
- **Muni-Treasury ratio has cheapened on influx of new sales**

States and local governments are poised to sell debt at the fastest clip in four years as borrowers aim to get ahead potential volatility from the US presidential election in November.

Municipal bond issuers like cities and school districts have already teed up \$21 billion of debt sales over the next 30 days, the highest visible supply since October 2020, according to data compiled by Bloomberg. That index represents a fraction of what actually comes to market, given that deals are often announced with less than one-month's notice.

"This is all in response to the election this year," said Kyle Javes, head of municipal fixed income at Piper Sandler Cos. He said that borrowers remember the market disruption that followed prior presidential elections and are eager to avoid any major swings. "We have been advising all of our clients to make sure that they get their transactions in ahead of the election if they have needs to borrow," he said.

[Continue reading.](#)

## **Bloomberg Markets**

By Erin Hudson and Sri Taylor

September 5, 2024

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### **Municipal-Bond Market Boom in Mega-Deals Shows No Sign of Stopping.**

- **This year has seen the most muni deals of \$1 billion or more**
- **Los Angeles school district, Illinois plan large bond sales**

It's already a record-setting year for muni-bond sales, and the relentless pace of mega-deals — those over \$1 billion — is displaying little signs of slowing.

State and local governments rushing to raise cash ahead of the presidential election in November have driven sales to \$325 billion so far this year, an all-time high for the period, according to data compiled by Bloomberg going back to 2013. Some \$65 billion of those offerings are mega-deals, the most in at least a decade.

And more jumbo debt sales are planned for September. The pipeline of scheduled deals rose to about \$20 billion as of Wednesday, the highest in more than two years, according to a Bloomberg index of scheduled sales over the next 30 days. That figure typically represents a fraction of what comes to market as many deals are announced with less than a month's notice.

[Continue reading.](#)

## **Bloomberg Markets**

By Amanda Albright

September 4, 2024

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### **Muni-Bond Market Faces September Slump as Supply Outpaces Demand.**

- **CreditSights sees \$22.8 billion muni bond redemptions in month**
- **Fed rate cut could alter September muni losing streak**

September is already shaping up to be a tough month for investors in the municipal debt market, with a supply-demand mismatch threatening to squeeze performance.

The total amount of redemptions to be paid out by local governments this month totals \$22.8 billion, less than half of what was paid out in August and roughly 21% less than 2024's monthly average, according to data from CreditSights Inc. That drop is set to reduce the baked-in demand that has supported the market for much of the summer.

At the same time, roughly \$19.3 billion of new issuance is expected over the next 30 days — the most since June — according to data compiled by Bloomberg.



[Continue reading.](#)

## **Bloomberg Markets**

By Nic Querolo

September 3, 2024

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### **[Current Market Conditions Bode Well For Munis, Nuveen Says.](#)**

Continuing market uncertainty bodes well for municipal bonds now and in the near future, according to Dan Close, the head of municipals for Nuveen, a global asset management firm.

With their tax-free status on the federal level and in some states, municipal bonds remain in demand by investors and benefit from current market conditions, Close said. The debt products can be issued by municipalities, counties, states or special purpose districts.

“A lot of the favorable position of munis is driven by the federal tax code,” Close said. “And if the highest bracket for income tax reverts to 39.6% from 37%, the tax break for munis will be even more valuable.” Unless Congress acts to keep the rate at 37%, it will return to the higher level at the end of 2025,

In addition, the current yield on some munis of just under 5% is the highest it has been in recent history, Close said.

“Looking at all industry sectors, municipal bonds for essential services, like water and sewer projects, are particularly in demand and should continue to perform well to the benefit of investors’ portfolios,” he added.

Healthcare, software and insurance brokers, as well as public and private infrastructure, also are well positioned to withstand economic downturns, which should lead investors to secure attractive returns, Close said. A long-anticipated recession is still a possibility, according to economists.

“High-quality municipal bonds with entities that have good credit ratings are a good income source for any portfolio and are especially beneficial for residents of high-tax states such as New York and California,” he said.

## **Financial Advisor**

by Karen DeMasters

August 30, 2024

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### **[Quick Shot: Municipal Ratios are Close to the Highest Level of 2024.](#)**

Municipal bonds are issued by state and local municipalities, and as such, can provide investors with federal tax-free income. The bonds are backed by taxes, revenues linked to the projects they are funding or as a general obligation of the municipality itself.

Because of their tax-advantaged characteristics, municipal bonds often have yields lower than U.S. Treasury bonds, which are backed by the U.S. government. As such, municipal bonds are often evaluated as a percent of the yield you get on a comparable U.S. Treasury. This is often used by investors as a valuation metric for the asset class: The higher the figure, the “more discounted” municipal bonds are relative to Treasuries.

Recently, municipal ratios have risen to their highest levels of 2024, indicating potential value for U.S. taxpayers. Yields as percent of 10-year Treasuries reached 70% from their tights of 57% in March. Municipal yields get more attractive as supply is increased (more supply = higher yields to entice investors to fund sales). So far this year, municipalities have issued \$315 billion, which marks the highest sales at this point of the year in a decade.

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## **J.P. Morgan**

Alan Wynne  
Global Investment Strategist

Published Aug 29, 2024

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### **[4 Reasons to Snap Up Muni Bonds Amid Flashing Recession Signals, According to Charles Schwab.](#)**

- **Two recession indicators are currently flashing, which has some investors on edge.**
- **Charles Schwab offers four reasons why anxious investors should consider buying municipal bonds.**
- **These assets offer high credit ratings, and typically perform well at the start of a recession.**

While economists remain split on whether the US is rolling toward a recession, at least two notable gauges are flashing clear-cut warnings that a downturn is imminent. For those uncomfortable with this, municipal bonds could offer some relief, Charles Schwab suggested.

The Sahm Rule says the US is in a recession when the three-month moving average in the unemployment average rate moves 0.5% from a 12-month low. This occurred in July.

[Continue reading.](#)

## **businessinsider.com**

by Filip De Mott

Aug 27, 2024

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### **[Raymond James Climbs Muni Manager Rankings After Hiring Spree.](#)**

- **It hired about a dozen people from Citigroup’s closed unit**

- **Company replaced Citi as bookrunner on Alabama county deal**

Raymond James Financial Inc. is scaling the rankings of municipal-bond underwriters after large banks withdrew from the business.

The St. Petersburg, Florida-based company has jumped to seventh place so far this year, its highest position in at least a decade. That's while it was on a hiring spree, adding nearly 60 people to its public-finance division over three years.

Following the exit of Citigroup Inc. and UBS Group AG from the muni market, Raymond James, Janney Montgomery Scott and other shops have scooped up talent to gain market share. Much of the hiring came when sales contracted after a period of aggressive interest rate hikes, a bet that the market would eventually rebound.

[Continue reading.](#)

## **Bloomberg Markets**

By Amanda Albright

August 28, 2024

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## **[Fitch Places 18 U.S. Life Plan Communities Under Criteria Observation.](#)**

Fitch Ratings - New York - 22 Aug 2024: Fitch Ratings has placed 18 U.S. Life Plan Communities (LPCs) Under Criteria Observation (UCO), following the publication of Fitch's revised 'U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria' on Aug. 19, 2024.

The ratings placed on UCO will require additional information and analysis to fully assess the effect of the criteria on the ratings. While these ratings may be affected by the criteria changes, not all of the ratings designated as UCO will necessarily change. Placement on the UCO list does not indicate a change in the issuer's underlying credit profile, nor does it affect existing Rating Outlooks or Rating Watch statuses. Fitch will review all the ratings designated as UCO as soon as practicable, but no later than six months following the date of the criteria release.

[Continue reading.](#)

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## **[Fitch Feedback Report: U.S. Public Finance Not-for-Profit Life Plan Community Rating Criteria](#)**

[View the Report.](#)

Mon 19 Aug, 2024

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## [\*\*S&P Sustainability Insights Research: No Quick Fix For The U.S. Affordable Housing Shortage\*\*](#)

Due to high mortgage interest rates and persistently high real estate prices, a median priced home is now unaffordable for a median income American household. Conditions are most acute for households in highly populated areas and earning less than the U.S. median income, over 63% of which now spend greater than 30% of household income on housing. Demand for assistance from U.S. affordable housing issuers has risen, leading to a 32% year-to-date increase in debt issuance over 2023 highs. At some point, not-for-profit housing issuers, particularly multifamily lenders, may struggle to preserve credit quality by deploying reserves to meet affordable housing needs.

[Download](#)

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## [\*\*How Two States Have Spent Their Share of the \\$1B in Cybersecurity Grants.\*\*](#)

**With little precedent for such a big federal investment in cybersecurity, states have largely had to write their own playbooks on how to distribute the funds to local governments.**

More than two years ago, the federal government began handing out millions of dollars to states to shore up their cybersecurity amid a growing threat of ransomware attacks and data breaches.

The much-needed investment will ultimately pay out an unprecedented \$1 billion over four years. The State and Local Cybersecurity Grant Program under the 2021 infrastructure law is a first-of-its-kind investment, which has meant states have largely had to create their own playbooks.

At an event hosted this week by Route Fifty, those different approaches were highlighted as two states on opposite coasts detailed how they've gone about shoring up their cyber defenses under the historic grant program.

[Continue reading.](#)

### **Route Fifty**

by Chris Teale

August 20, 2024

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## [\*\*Climate Change is messing with City Sewers – And the Solutions are Even Messier\*\*](#)

**As heavy rains overwhelm aging pipes, Boston and New York City are choosing very different paths forward.**

At the end of July 2023, 3.07 inches of rain fell on Boston in a single day. The city's sewer systems were overwhelmed, resulting in a discharge of sewage into Boston Harbor that prompted a public health warning. The summer of 2023 would turn out to be Boston's second-rainiest on record.

About two months later, 8.65 inches of rain fell on New York City — higher than any September day since Hurricane Donna in 1960. The city’s low-lying areas were deluged, and half of its subway lines were suspended as water inundated underground stations.

East Coast cities are increasingly susceptible to flooding due to climate change. But changing weather patterns are only half of the problem — the other is inadequate infrastructure. In particular, these recent flood events were made worse by Boston and New York’s combined sewer systems, which carry both stormwater and sewage in the same pipes. When such a system reaches capacity during heavy rainfall or storm surge events, it backs up, sending a mixture of stormwater and raw sewage into waterways (and sometimes also into streets and homes).

[Continue reading.](#)

## **Route Fifty**

By Angelica Ang,  
Grist

August 22, 2024

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## **[Credit Work Takes Front Seat: Bloomberg Masters of the Muniverse](#)**

As we inch closer to a Fed rate decision and a Presidential election, focusing on municipal credit will take on a heavier emphasis. Hosts Eric Kazatsky and Karen Altamirano are joined by Jennifer Johnston, Director of Research for Franklin Templeton Fixed Income. Bringing over three decades of experience, Jennifer is responsible for leading the group’s credit research efforts across all municipal bond sectors. She gives us her perspective on how technology enhances the credit research role and some areas of concern during the back portion of this year and beyond.

[Listen to the Podcast.](#)

Aug 20, 2024

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## **[Investing in Aging: Senior Living Bonds as a High-Risk, High-Reward Strategy](#)**

When investors think about municipal bonds, safety and stability often come to mind. After all, a city or state government has the ability to tax their citizens to help pay for the bonds. As a result, munis often form the cornerstone of many conservative fixed-income investor’s portfolios. But not all munis are safe and steady, some are a tad on the risky side. But for investors looking to pick up extra yields, these bonds could be a real opportunity.

Today, that opportunity lies within munis tied to senior living and nursing homes.

The senior living sector has long been one of the riskiest in the high-yield muni space — skewing default rates higher for all muni bonds. Those issues have only gotten worse since the pandemic. But with an aging population and increased elderly care needed, the sector could provide an interesting blend of risk and reward for some income seekers.

[Continue reading.](#)

**dividend.com**

by Aaron Levitt

Aug 26, 2024

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## **Active Muni ETFs Are Rapidly Gaining Traction.**

In terms of population, the universe of actively managed municipal bond exchange traded funds is growing at a prodigious pace. That makes sense because there are multiple reasons why the combination of municipal bonds and active management can reward investors.

The ALPS Intermediate Municipal Bond ETF (MNBD) is one of the established names in the active muni ETF patch. MNBD, which turned two years old in May, attempts to beat the Bloomberg Municipal Bond 1-15 Year Blend Index. Admittedly, year-to-date isn't the best measuring stick of muni bond ETF performance. That's because this is a long-term asset class. Still, that doesn't diminish the point that MNBD is beating the widely followed ICE AMT-Free US National Municipal Index by a 2-to-1 margin this year.

Advisors know some perks can be accrued when munis meet active management. These include superior flexibility when it comes to managing credit and interest rate risk as well as the ability of active managers to more readily identify valuation opportunities than can muni indexes. Some other points in favor of MNBD should be considered.

### MNBD Hidden Advantages

While municipal bonds are a massive corner of the broader fixed income market, some issues with this form of debt make indexing challenging.

"Municipal bonds are a highly illiquid and fragmented market. This makes indexing difficult and creates more opportunities for active managers than more liquid markets. This favorable arena is reflected in assets; 87% of all muni fund assets are in funds where managers choose the bonds rather than mimic and index," notes Morningstar's Gabe Alpert.

That's not to say passive muni ETFs are "bad" products. Instead, municipal bonds' liquidity, or lack thereof, highlights potential advantages with actively managed funds such as MNBD.

Another reason active management makes sense with municipal debt is because these bonds take various forms. This includes general obligation, revenue, and enhancement program bonds, among others. Each subsection of the muni space brings with it opportunities and risks. That can be viewed as further confirmation of the potency of active management. It could also bode well for the long-term adoption of ETFs such as MNBD.

"As demand for ETFs grew, firms launched muni-bond ETFs. Due to the difficulty of launching active ETFs until a regulatory change in 2019, before then, there were only 19 of these funds. Between 2019 and 2024, an average of 7.5 active muni ETFs were listed each year. This is compared with an average of 3.5 index muni ETFs. Flows have followed, with 60% of 2024 flows to muni ETFs going to active funds despite making up only 15% of assets," concludes Alpert.

## **[Corporate and Municipal CUSIP Request Volumes Fall for Second Consecutive Month in July.](#)**

NORWALK, Conn., Aug. 14, 2024 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for July 2024. The report, which tracks the issuance of new security identifiers as an early indicator of debt and capital markets activity over the next quarter, found a slowdown in request volume for new corporate and municipal identifiers for a second consecutive month.

North American corporate requests totaled 6,391 in July, which is down 2.6% on a monthly basis. On a year-over-year basis, North American corporate requests closed the month up 7.9%. The monthly volume decline was driven by a 15.6% decrease in request volume for U.S. corporate debt and a 21.1% decrease in volume for Canadian corporate securities. Request volumes for short-term certificates of deposit (-10.1%) and longer-term certificates of deposit (-10.2%) also slowed in July.

The aggregate total of identifier requests for new municipal securities - including municipal bonds, long-term and short-term notes, and commercial paper - fell 18.1% versus June totals. On a year-over-year basis, overall municipal volumes are up 7.6%. Texas led state-level municipal request volume with a total of 180 new CUSIP requests in July, followed by New York (161) and California (67).

[Continue reading.](#)

### **CUSIP Global Services**

Wed, Aug 14, 2024

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## **[Citi, UBS Leave Behind \\$50 Billion Muni Opportunity for Rivals.](#)**

- **Huntington leads Chicago sale as senior manager for first time**
- **San Antonio Water System picks Truist to underwrite, remarket**

From San Antonio to Chicago, US municipalities are inviting in new rosters of banks to manage borrowings after two big players' exits opened up a roughly \$50 billion opportunity for firms that are still in the business.

Market heavyweight Citigroup Inc. and UBS Group AG began pulling away from munis over the last year, marking the biggest retreat in the sector since the financial crisis. While shrinking profit margins in the muni industry contributed to their decisions, other bulge-bracket firms and up-and-coming regional underwriters remain committed.

These muni players are eager to fill any gaps, and there's a big incentive: The shift is happening just

as US state and local borrowers flood the market with record amounts of debt.

[Continue reading.](#)

## **Bloomberg Markets**

By Shruti Singh

August 15, 2024

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### **Shelved Muni Sales Return to Market After Volatility Eases.**

- **Chicago originally planned to sell \$643 million in debt Aug. 7**
- **Tennessee hospital system that delayed bond deal also priced**

Two municipal bond sales that were previously delayed during a particularly volatile stretch in fixed income markets were offered to investors Wednesday.

Chicago returned to the \$4 trillion state and local government debt market one week later than planned, as did Erlanger Health, a hospital system based in Chattanooga, Tennessee. The sales come after two key economic data releases showed inflation easing — increasing confidence among investors that the Federal Reserve will cut interest rates in September.

The Windy City had originally planned to issue \$643 million in tax-exempt bonds on Aug. 7 but moved the deal to day-to-day status to await a more stable market. Erlanger Health had delayed a roughly \$316 million deal on Aug. 8, citing “recent market volatility and yield expectations falling short” of their targets.

[Continue reading.](#)

## **Bloomberg Markets**

By Shruti Singh

August 14, 2024

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### **Record Hiatus of Muni Bankruptcies Cheers Market — for Now**

- **US pandemic aid, even inflation, propped up municipal coffers**
- **Strong credit cycle likely challenged by waning federal money**

Municipal bankruptcies are becoming a distant memory for tax-exempt bond investors thanks to the strength of US state and city balance sheets. Some strategists warn the sunset of federal aid may ratchet up credit fears.

Wednesday will mark a record 449 days since Hazel Hawkins Memorial Hospital filed for Chapter 9 protection on May 23, 2023, surpassing the previous longest stretch from June 2021 through September 2022, Bank of America Corp. analysts advised in a note last week. And it’s been seven years since a bankruptcy-like filing for Puerto Rico rocked the market, as similar events by Jefferson



County, Alabama, Detroit and Orange County, California, had in past decades.

Investors continue to flock to the muni market, helped by solid returns and improved issuer creditworthiness. State and local governments for the past few years have been buoyed by hundreds of billions in federal dollars allocated to provide financial stability during the pandemic era.

[Continue reading.](#)

## **Bloomberg Markets**

By Erin Hudson

August 13, 2024

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### **[Rare Zoo Bond Joins Muni Bond Sales Surge to Fund Expansion.](#)**

- **The \$40 million sale marks biggest ever for Riverbanks Zoo**
- **Zoo expects to return to the muni market again in a few years**

In a summer that's shaping up to be one of the busiest ever for municipal bond sales, investors have snapped up deals financing everything from airport projects and public transit systems to school districts. This week, they lent \$40 million to spruce up one of largest zoos on the East Coast.

The Riverbanks Zoo and Garden located in Columbia, South Carolina, raised the cash to finance a gondola, hillside primate forest and observation deck plus other enhancements. The facility, which spans 170 acres and houses thousands of animals, receives more than 1 million visitors each year.

Zoo bonds are a rarity in the municipal bond market, which has seen issuance surge this year and typically finances more traditional infrastructure like roads and schools. Riverbanks, for example, comes to market roughly once a decade to finance upgrades of its facilities, said the zoo's Chief Executive Officer and President Tommy Stringfellow. It can take years to construct and populate new exhibits, he said.

[Continue reading.](#)

## **Bloomberg Markets**

By Erin Hudson

August 16, 2024

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### **[Fitch: U.S. NFP Hospitals May Be Nearing Return to 'Neutral'](#)**

Fitch Ratings-Austin/New York-15 August 2024: Despite ongoing challenges, recent positive developments could help U.S. Not For Profit hospitals achieve a 'Neutral' sector outlook sooner, according to Fitch Ratings analysts in a sector webinar yesterday.

According to sector head Kevin Holloran and senior director Mark Pascaris, hospital operations have

stabilized, while the chasm between revenue growth and expense growth has leveled out. Fitch's 2023 statistics reveal 7.6% expense growth for hospitals versus 7% revenue growth, a more favorable comparison following the 9.5% expense growth against 5.8% revenue growth of 2022. However, credit 'trifurcation' remains an issue and will remain so well into 2025, according to Holloran, at which point the environment should start to normalize, with a credit 'bifurcation' emerging soon after.

According to Pascaris, the vast majority of NFP hospitals (65%-75%) will be somewhere in the middle, steadily working to improve operating margins. Additionally, struggles will intensify and may accelerate for 5%-10% of health systems, while an equal number on the opposite end of the spectrum will thrive in stronger markets.

Countering the recent moderate upswing are ongoing struggles for hospitals. Median days cash on hand continues to decline, dropping to 211.3 in 2023 from 216.2 in 2022, and down from a high of 260.3 in 2021. The imbalance between revenues and expenses remains a structural issue for the sector. Although the labor situation is improving, it still falls short of pre-pandemic levels. However, Holloran noted that the labor environment is stabilizing overall.

Improving labor productivity remains a high priority for NFP hospitals, with the advent of AI offering intriguing possibilities over time. Hospitals may need to redesign standard processes and partially incorporate AI advancements, although the significant cost of AI will be a limiting factor for many health systems.

Fitch's webinar follows the release of the agency's latest NFP hospital medians report, available at [www.fitchratings.com](http://www.fitchratings.com).

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## **[Fitch: US Not for Profit Hospitals and Health Systems on a Slow Mend](#)**

Fitch Ratings-Austin/New York-15 August 2024: Fitch Ratings' medians for U.S. not-for-profit (NFP) hospitals and health systems indicate the sector is slowly beginning to recover following seismic post-pandemic revenue declines. Fitch addresses this trend in its latest Fitch Analytical Comparative Tool (FACT) for the sector.

"Liquidity has held steady for NFP hospitals over the last several months while median operating incomes are beginning to stabilize," said Fitch Senior Director Kevin Holloran. "However, the sector is grappling with stubborn inflation and formidable labor challenges. We are unlikely to achieve any degree of predictive normalcy for at least another year."

The FACT contains financial data for 218 hospitals and health systems that can be benchmarked against peers, medians and self-defined peer groups along with historical statistics and metrics going back to 2011. This report follows Fitch's latest medians for U.S. NFP hospitals published earlier this week.

The FACT includes a dashboard feature to graphically plot annual issuer metrics and median performance, a peer analysis tool that allows users to review and compare metrics of two issuers, and a charting tool that generates a comparison of issuer metrics against rating category medians.

'Not-for-Profit Hospitals and Healthcare Systems FACT' is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

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## **Fitch: US NFP Children's Hospital Medians Hold Steady Even as Profits Fall Again**

Fitch Ratings-Austin-14 August 2024: Medians for U.S. not-for-profit children's hospitals are still solid, although 2023 marked the lowest profitability level for the sector in a decade, according to Fitch Ratings in its latest annual medians report.

The operating environment for children's hospitals continues to be challenging as a result of increased staffing costs and year-to-year volume fluctuations from respiratory virus cases. Despite this, the standalone children's hospitals' median rating remains strong at 'AA-'. Even with a positive median operating margin, profitability is at the lowest level in 10 years with no easy to implement solutions available to generate a "v-shaped" recovery.

"Elevated labor expenses are an unavoidable reality for NFP children's hospitals," said Director Richard Park. "They must continue to seek creative solutions for this issue, as rate increases will not make up the gap on their own."

In the long term, children's hospitals will also face the effects of declining birth rates. Meanwhile, traditional adult acute care hospitals are looking to improve profitability by becoming full-service providers across all ages and care continuums. This includes the pursuit of growth in high acuity and margin service lines that are mainly provided at children's hospitals. Hospitals are also considering whether to incorporate AI into the daily operations of health care, with many likely to start adopting the technology to reduce administrative burden.

"Healthcare still remains a service industry centered around person-to-person interactions. Finding a way to augment a human's capabilities while improving the patient experience will be key to the industry's adoption of technology going forward," said Park.

Fitch's '2024 Median Ratios for Not-for-Profit Children's Hospitals' is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

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## **Fitch 2024 Median Ratios for Not-for-Profit Children's Hospitals.**

Fitch Ratings' 2024 children's hospital medians (using 2023 full-year audited data) show the industry working through a challenging period as the past two years have produced declining profitability, with 2023 exhibiting the lowest profitability level in 10 years. This is in contrast to the adult not-for-profit hospitals and healthcare systems sector, which is beginning to show signs of recovery after 2022 full-year audited results showed what was likely the worst year the sector has ever experienced as a whole. Despite the declines, median operating margins for 'AA' category children's and adult hospitals were both positive at 2.7% and 1.5%, respectively, in fiscal 2023. Fitch believes many highly rated organizations have relied upon robust balance sheets to navigate challenges and avoid layoffs/excessive cost-cutting measures to maintain patient safety/satisfaction and employee wellbeing.

[Access Report](#)

Wed 14 Aug, 2024

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## [\*\*S&P: What The Loper Decision May Mean For U.S. Public Finance\*\*](#)

The recent United States Supreme Court decision in *Loper Bright Enterprises v. Raimondo and Relentless Inc. v. Dept. of Commerce* (the Loper decision) overturned a 40-year precedent commonly referred to as the Chevron Doctrine. While the magnitude of the ruling will take years to unfold, S&P Global Ratings believe the Loper decision will likely influence the regulatory and policy landscape for U.S. public finance issuers and has several potential credit implications.

### **Decision Shifts Interpretation Of Ambiguous Statutes To Courts From Federal Agencies**

The now overturned 1984 Chevron Doctrine directed courts to defer to federal agency interpretation to address statutory ambiguity, effectively providing them with significant influence over regulation and policy. The Chevron Doctrine has underpinned thousands of regulations under the umbrella of numerous federal agencies. Overturning Chevron limits the deference to federal agencies and shifts responsibility to the judicial system. Prior cases that relied on Chevron are subject to stare decisis (the principle that courts should mostly adhere to their past cases) and are not automatically overruled; however, this doesn't preclude relitigating past cases or using the Loper decision to overturn or challenge regulations and statutes, which we believe may occur.

[Continue reading.](#) [Free Registration Required]

14 Aug, 2024

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## [\*\*NaCo AI County Compass: A Comprehensive Toolkit for Local Governance and Implementation of Artificial Intelligence\*\*](#)

The Artificial Intelligence (AI) Exploratory Committee was formed in May 2023 and tasked with analyzing the landscape of generative AI as it applies to counties.

Use the links below to download the AI Exploratory Committee's full report or jump to key sections of the report. In the navigation above, find an impact summary for your county role, as well as report highlights customized for you.

[Continue reading.](#)

### **National Association of Counties**

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## [\*\*New Tools Help Governments Tap Clean Energy Windfall.\*\*](#)

**The Inflation Reduction Act includes tax credits that reimburse governments for clean energy investments. New online resources make the program more understandable and accessible.**

### **In Brief:**

- The Inflation Reduction Act includes tax credits for tax-exempt entities that can repay costs for

clean energy projects.

- The program, which has not attracted the same level of attention as credits for private investment, is open to an unlimited number of applicants.
- The process for obtaining these credits is unlike that of any previous program, and online resources have recently been published to make it easier to navigate.

In the two years since the Inflation Reduction Act (IRA) was signed into law, IRA tax credits for private-sector clean energy projects have been widely celebrated and estimates of the investment they have sparked range from \$125 billion to \$265 billion. Credits that repay energy investments by public agencies and other tax-exempt organizations have received much less attention, but a new online tool aims to redress the imbalance.

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**governing.com**

by Carl Smith

Aug. 16, 2024

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## **[America Has a Hot Steel Problem.](#)**

**Railways, roads, power lines, batteries—the heat of climate change is making them all falter.**

A basic fact of thermodynamics is coming to haunt every foot of train track in the United States. Heat makes steel expand, moving its molecules farther apart, and as hot days become hotter and more frequent, rail lines are at risk of warping and buckling more often.

Any fix must deal with this fundamental truth of physics. Railroads can slow their trains down, which avoids adding more heat. Or they can leave gaps in a rail (or cut them as an emergency measure), which relieves pressure that causes track to bulge but means a potentially bumpier and slower ride. Painting tracks white would help deflect heat, but the paint would need to be reapplied frequently. Adapting to this reality will be expensive, and might ultimately just look as it does now: slow the trains, cut the track, issue a delay.

Our infrastructure is simply becoming too hot to function, or at least function well. High heat can also cause bridges to fail, for the same reason as with train tracks. Roads can buckle, thanks to the thermodynamics of concrete and asphalt. In Alaska, where permafrost is thawing into a substrate more akin to a waterbed, roads can resemble an undulating line of ribbon candy. Heat has two effects on power transmission, and “both of them are bad,” Bilal Ayyub, a civil-engineering professor at the University of Maryland, told me. One, heat reduces how much electricity power lines can deliver. Two, heat increases demand—everyone turns on their air conditioners in unison—further straining an already heat-strained grid, sometimes to its breaking point. (And those air conditioners need more power to run, because they’re also less efficient in high temperatures.) Phone and car batteries drain more easily when heat speeds up their internal chemical reactions.

According to the U.S. Census Bureau, this country currently builds more than \$2 trillion worth of new construction a year. Each piece of it might have a life span of 50 to 100 years, Ayyub said. What we build now will face circumstances the world of modern infrastructure has never seen. To keep

up, engineers need to start designing for it now.

One obvious way forward would be to incorporate climate projections into building codes. Each time an engineer designs a piece of infrastructure, it must meet certain local codes meant to guard against the daily pressures of gravity and the vagaries of regional weather—ranges determined, until now, by looking at historical records. These codes are based on standards written by organizations including the American Society of Civil Engineers (ASCE) through a painstaking consensus process; incorporating the risks of rising heat counts as cutting-edge in this slow-moving world.

Right now, ASCE is in the midst of a six-year push to have building codes take future climate change into account, using research from the National Oceanic and Atmospheric Administration. (Ayyub, who helped incorporate flood risk into New Orleans's post-Katrina reconstruction plan, is part of that process.) But these codes are only recommendations; state and local governments decide whether to adopt them. And that choice can come down to political stances on climate change, in Ayyub's experience.

But building codes represent the bare-minimum level of safety and stability that a designer must adhere to. Another way to keep up with unprecedented changes is to build beyond that, in a way that embraces uncertainty and factors in failure, according to Mikhail Chester, the director of the Metis Center for Infrastructure and Sustainable Engineering at Arizona State University. Rather than assuming that systems built to withstand historical conditions are fail-safe, engineers and planners should focus on making them safe to fail, finding opportunities to minimize human harm. Power failures may be inevitable during a heat wave, but creating ancillary systems—such as community cooling centers and shade structures—can save lives in that situation.

Chester told me he has no doubt that engineers could design infrastructure to stand up to rising temperatures. To him, "the question is, at what cost?" Trying to "harden, strengthen, and armor" every piece of existing infrastructure to withstand climate hazards, including excessive heat, is economically impractical—and likely impossible. "You can't reengineer all of U.S. infrastructure as quickly as the climate is changing," Chester said.

The key, instead, will be to do triage. Some places need more attention than others: Chester pointed out that a newer city like Phoenix, where he lives, is actually more closely designed to withstand current conditions than a place like New York City, where many designs are based on older extremes. And some systems demand precedence: Water infrastructure and transportation systems are critical to life, for instance, but power systems supply them both. So designing resilient power systems ought to come first. But "the solution for it is costly," Ayyub said. It involves building more energy-storage capacity, updating a nation's worth of transmission lines (not to mention major permitting reform), and probably having a metering system in place to modulate how much power each user can access. "But it does require the users to agree to that," he added, and it may be a hard sell.

For now, the upward trajectory of heat is outpacing all construction ambitions, and forcing decisions about how best to balance affordability and risk. Energy is the biggest infrastructure challenge that both Ayyub and Chester foresee, but when it comes to things like train lines and other forms of built infrastructure, they're both hopeful that humanity will design ways to work around the heat. Humans are good at building things when they need to. But it's far easier for humans to fix their own machines than to fix large-scale biological systems; those are critical systems Ayyub is worried about more. Mass biodiversity loss concerns him first—that's unrecoverable once it's gone—along with food security and agriculture. Engineering can get us only so far.

**The Atlantic**

By Zoë Schlanger

August 14, 2024

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## **[Biden Administration Announces More Than \\$2 Billion in Grants to Boost US Power Grid.](#)**

**The grid is overburdened, under-resourced — and vital to the energy transition. New federal funding aims to increase capacity and get more clean energy built.**

The U.S. power grid is overburdened and under-resourced — and the Biden administration just announced a major investment aimed at helping solve those problems.

The Department of Energy has offered \$2.2 billion to eight projects across 18 states that could expand and strengthen the grid. The projects range from deploying grid-enhancing technologies that boost the capacity of existing power lines to building brand-new high-voltage transmission cables that will enable wind farms in the Great Plains and off the coast of New England to plug into the grid.

Tuesday's announcement represents another significant federal investment in the U.S. transmission grid, which isn't growing fast enough to allow clean energy to come online at the pace needed to combat climate change. Energy experts warn that without a doubling or tripling of existing grid capacity, the country will fail to hit the Biden administration's goal of halving carbon emissions by 2030.

[Continue reading.](#)

### **Route Fifty**

By Jeff St. John,  
Canary Media

August 14, 2024

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## **[Airports to Get \\$566M More for Improvements.](#)**

**To date, nearly half of the nation's 3,000 airports have received federal funding to upgrade aging infrastructure and expand facilities amid record-breaking air travel.**

Nearly 300 grants were awarded to airports across the country Tuesday to revamp runways, terminals, security checkpoints, parking garages and other airport infrastructure, according to the Biden administration.

The Federal Aviation Administration handed out more than \$566 million to facilities in 47 states as part of a grant program to modernize airports that was included under the 2021 infrastructure law. This is the ninth funding announcement by the FAA this year. In total, \$2.89 billion will be allocated in 2024—the third year in a five-year, \$15 billion grant program.

Most notably, about half the nation's 3,000 airports have received funding to date through the Airport Infrastructure Grants program, according to the administration. Some of those projects have even been completed, including a taxiway at San Diego International Airport in California.

[Continue reading.](#)

## **Route Fifty**

By Elizabeth Daigneau,  
Executive Editor, Route Fifty

August 13, 2024

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## **[Congress Could Ease Rules for Small Cities Seeking Transportation Money, Experts Say.](#)**

**Discretionary grants give the president's administration—and members of Congress—an opportunity to shape transportation policy. But applying for and administering them can be a challenge for local governments.**

One of the many changes that the 2021 federal infrastructure law made to transportation policy was giving local governments more opportunities to apply directly for federal grants, rather than depending on their state government.

But Congress is likely to scrutinize—and possibly change—those discretionary grant programs when they craft the next surface transportation bill, two transportation experts [told a gathering](#) at the National Conference of State Legislatures annual conference last week, in part to make the application process more user-friendly.

"We opened up grant opportunities more to local governments and to metropolitan planning organizations that have not always had the ability to directly apply for federal transportation dollars," said Jordan Baugh, the senior policy advisor for the Democratic members of the U.S. Senate Committee on Environment and Public Works. "That's created opportunities, but also a lot of challenges, particularly for smaller cities that don't have a large transportation or public works department."

[Continue reading.](#)

## **Route Fifty**

By Daniel C. Vock,  
Senior Reporter, Route Fifty

August 12, 2024

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## **[California Schedules \\$2.5 Billion Tax-Exempt Bond Offering.](#)**

California is planning to sell \$2.5 billion of tax-exempt general obligation bonds later this month, the



state's second largest offering this year.

Proceeds from the sale will be used to finance voter-approved projects, pay down outstanding commercial paper and refund outstanding general obligation bonds, according to ratings documents provided by Fitch Ratings, which scores the debt AA.

The bonds will price in a negotiated sale on Aug. 27. Bank of America Corp. and Barclays PLC. are joint senior managers.

New sales of tax-exempt bonds in California have been gobbled up by buyers looking to shield income from the state's high taxes and to lock in yields before anticipated rate cuts by the Federal Reserve later this year. California, home to more billionaires than any other state and hundreds of thousands of millionaires, levies a rate of at least 13.3% on its highest earners.

The desire for tax-advantaged investments means California bond deals can sell at yields lower than AAA-rated benchmark muni securities. The Trustees of the California State University sold \$671 million of tax-exempt bonds on Aug 5 with yields as much as 26 basis points below that benchmark, according to data compiled by Bloomberg.

California State Treasurer Fiona Ma is planning at least [another six municipal bond offerings](#) in 2024, including two in September intended to beef up services for veterans, according to a press release published by the treasurer's office.

## **Bloomberg Markets**

By Maxwell Adler

August 16, 2024

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## **[Rockefeller Joins Muni ETF Boom With Three High-Yield Funds.](#)**

- **Muni funds investing in lower-rated bonds have been in demand**
- **ETFs will be managed by trio who were previously at Invesco**

Rockefeller Asset Management is the latest money manager to capitalize on the muni ETF boom.

The New York-based division of Rockefeller Capital Management is launching its first actively managed fixed income exchange-traded funds. The products, which will be managed by a trio of portfolio managers who joined earlier this year from Invesco Ltd., will focus on lower-rated bonds.

There are now more than 100 muni ETFs with a combined \$131 billion as asset managers vie to capture money that's been flowing into the low-cost and easy-to-trade products. Goldman Sachs Asset Management and PGIM have both launched new funds this year.

[Continue reading.](#)

## **Bloomberg Markets**

By Amanda Albright

August 14, 2024

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## [\*\*Vanguard is Joining the Active Muni ETF Fray.\*\*](#)

**The Jack Bogle-founded fund giant is bolstering its fixed-income shelf with actively managed municipal bond strategies.**

Vanguard is joining the growing circle of asset managers venturing into an appealing corner of the fixed-income ETF space.

On Friday, the mutual fund behemoth announced plans to expand its lineup of actively managed fixed income products by introducing two new municipal bond ETFs later this year.

The firm said it intends to launch the Vanguard Core Tax-Exempt Bond ETF and the Vanguard Short Duration Tax-Exempt Bond ETF, which will be both managed by its fixed income group.

[Continue reading.](#)

**investmentnews.com**

by Leo Almazora

August 16, 2024

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## [\*\*NASBO: Most States End Fiscal 2024 Near Revenue Forecast\*\*](#)

Despite minimal growth in tax collections in fiscal 2024, most states ended the year near their revenue forecast based on newly released end-of-year revenue totals. Comparing actual collections to forecasts is a better indicator of state revenue performance than year-over-year growth figures which, in many states, have been considerably impacted by recently enacted tax cuts. Early indications are that the majority of states closed fiscal 2024 with revenues above original forecasts, with many also seeing revenues come in above revised forecasts. Most states that saw revenues come in lower than revised forecasts were below projections by less than one percent. Some states with revenues below forecast in fiscal 2024 noted spending was below forecast as well, resulting in an end-of-year budget surplus. While most states are reporting a fourth consecutive year of surpluses, their size in nearly all cases is smaller than the substantial surpluses experienced in fiscal 2021 and fiscal 2022. Similar to fiscal 2023, states are directing these smaller surpluses to a variety of purposes including further strengthening rainy day funds and other reserve funds, fulfilling previously identified spending priorities, and avoiding debt. For some states, this stronger-than-expected growth will trigger phased-in tax cuts or may be directed toward tax reduction proposals.

Based on NASBO's [Fall 2023 Fiscal Survey of States](#), enacted budgets for fiscal 2024 forecasted a 1.8 percent decline in general fund revenue compared to preliminary fiscal 2023 levels. This decline was from a high baseline after three consecutive years in which the vast majority of states recorded revenue surpluses and most states enacted tax reductions. Updated data from NASBO's [Spring 2024 Fiscal Survey of States](#) reported fiscal 2024 general fund revenues were on track to increase 0.6 percent compared to actual fiscal 2023 collections; on a median basis, general fund revenues were estimated to decline 1.1 percent in fiscal 2024.

Newly released end-of-year revenue data reveal most states ended fiscal 2024 above their revenue

forecasts, while year-over-year growth was more mixed, with some states seeing slow growth in tax collections compared to fiscal 2023, and other states recording modest declines. The reasons for the slow growth or modest declines in tax collections varied but included the impact of previously enacted tax cuts, slower growth in consumption, lower inflation, and higher tax refunds. On a positive note, several states highlighted in their revenue reports increased investment income resulting from higher interest rates.

[Continue reading.](#)

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## **[What Cyberattacks Do To Municipal Issuers' Borrowing Costs: Brookings](#)**

State and local governments are frequent targets of cyberattacks. In "[City Hall Has Been Hacked! The Financial Costs of Lax Cybersecurity](#)," a paper presented at the 2024 Municipal Finance Conference at Brookings, four economists find that municipal borrowing costs rise after a publicly reported cyberattack.

Filippo Curti (Federal Reserve Bank of Richmond), Ivan Ivanov (Federal Reserve Bank of Chicago), Marco Macchiavelli (University of Massachusetts, Amherst), and Tom Zimmermann (University of Cologne) use data breach and ransomware data on over 1,000 cyberattacks against public entities between 2004 and 2018 from Advisen, a data provider for insurers. They matched government victims of cyberattacks with data from the Census of Governments and from the Mergent Municipal Securities Database and the Municipal Rulemaking Standards Board.

After a data breach, they find, the bond prices of the target issuer in the secondary market decline between 15 to 22 basis points and primary market yields rise by 10 to 13 basis points, which is 5% higher than average bond yields in their sample. Governments hit by data breaches are much more likely to negotiate prices of new bond offerings, but they find no evidence that data breaches affect the size of bond offerings.

Curti and co-authors show that cyberattacks lead to roughly \$1.77 billion in mark-to-market losses to municipal bond investors on the \$870 billion in outstanding bonds of issuers hit by data breaches between 2010 and 2019. This estimate, they say, is likely a lower bound, because many bonds of issuers affected by cyberattacks may be illiquid and not trade in the 60-day window studied.

The authors also examine the effect of state data breach notification laws, which require targets of cyberattacks to notify residents, and data security laws, which mandate measures to strengthen cybersecurity. The authors find that both types of laws temporarily increase government expenditures to comply with new rules, but do not change the likelihood of future data breaches.

Since the laws are proven to not be enough to prevent future cyberattacks, Ivanov proposed at the conference that alternatives should be considered. One option is to give "a safe harbor against data breach lawsuits if the government entity complies with industry-recognized cybersecurity programs." Such an approach would incentivize upfront investment in cybersecurity, safeguarding personal and important information of the public, and potentially reduce the long-term financial losses from cyberattacks.

### **The Brookings Institution**

by Tristan Loa and David Wessel

August 7, 2024

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## [S&P U.S. Not-For-Profit Health Care Children's Hospital Median Financial Ratios - 2023](#)

### **Rating And Outlook Overview**

**The number of rated children's hospitals remains stable.** Year over year, the number of children's hospitals rated by S&P Global Ratings has remained steady at 22 providers. Rating activity remains limited, as mergers and acquisitions are rare, business positions remain healthy, and financial performance has historically been stable. Most of our rated children's hospitals are considered stand-alone hospitals per our criteria, with the exception of Houston-based Texas Children's Hospital and Children's Hospital Colorado, which own multiple hospitals and are considered systems.

**Ratings distribution is skewed toward the 'AA' category.** Children's hospital ratings remain skewed toward higher rating categories relative to the broader group of not-for-profit acute care providers, with 91% rated in the 'AA' or 'A' categories reflecting the cohort's generally strong credit quality. The higher ratings are supported by the hospitals' institutional strengths and positions in their respective markets, as often they are the only provider of tertiary and quaternary pediatric services. The hospitals' generally healthy financial profiles, albeit with support from supplemental funds, and sound balance sheets also support our higher ratings and help offset higher Medicaid exposure.

**Downgrades are concentrated in lower-rated organizations.** We lowered the ratings on two children's hospitals, both in the 'BBB' category, with one falling to speculative-grade. The organizations had experienced multiple years of operating losses, diminishing unrestricted reserves, and weaker debt-related metrics.

**Outlooks remain predominantly stable.** The outlooks for the vast majority of ratings in this group are stable, speaking to the generally higher ratings and overall credit strength of the segment. However, one issuer has a positive outlook and two have negative outlooks. Of the negative outlooks, one reflects the intense rating pressure on our only speculative-grade rated issuer; the other entity has a higher rating, but has a negative outlook that reflects weakening performance in an expanding system. Overall, children's hospitals have been able to absorb industrywide expense pressures better than the sector at large; however, the spreads between children's hospital and stand-alone medians did narrow in 2023.

[Continue reading.](#)

7 Aug, 2024 | 13:19

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## [S&P U.S. Not-For-Profit Acute Health Care Speculative-Grade Median Financial Ratios - 2023](#)

### **Rating And Outlook Overview**

**The number of rated entities remains stable, although downgrades have caused changes in distribution.** The total number of speculative-grade ratings has remained stable year-over-year, but some shifts in distribution have occurred primarily due to downgrades, either within the category or from the investment-grade categories. For example, the number of 'BB' and 'BB-' ratings has increased at the expense of low investment-grade and 'BB+' ratings. S&P Global Ratings believes negative shifts within the speculative-grade category could continue, given the very thin liquidity and continued operating losses for many speculative-grade rated issuers. Shifts at the lower end of the rating scale may be amplified by the very limited sample size and make trend analysis less meaningful. Although we took positive rating actions on a few speculative-grade providers, they were primarily the result of mergers with higher-rated organizations.

**Covenant violations continue but there were no payment defaults during the last year.** Due to their weaker debt service coverage and thin liquidity, speculative-grade issuers remain at a higher risk of breaching their financial covenants than investment-grade entities. Debt service coverage, in particular, is the most common covenant violation, followed by days' cash on hand and debt to capitalization. Although these violations often constitute a technical event of default, none of them have resulted in acceleration of the debt, as management teams have been proactive in successfully negotiating waivers or forbearance agreements with bondholders. In many cases, these agreements were remedied before maturity. Similarly, there have been no payment defaults during the last year.

**Favorable outlook changes reflect some mitigation efforts to offset operating pressures.** Relative to 2023, when almost half of speculative-grade providers had a negative outlook due to persistent operating difficulties, most recent data indicates just a third of organizations carry a negative outlook as of June 2024. Although negative outlooks are still high for this subset, the favorable shift is encouraging. We believe this improvement reflects some alleviation in sector pressures of the past few years, particularly in relation to labor and lower agency staff usage. Stable outlooks now represent close to two-thirds of rated providers, and therefore, we do not expect any significant increase in upgrades.

[Continue reading.](#)

7 Aug, 2024 | 13:18

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## [S&P U.S. Not-For-Profit Health Care Small Stand-Alone Hospital Median Financial Ratios - 2023](#)

### Rating And Outlook Overview

**Small hospitals, defined as having \$150 million or less of total operating revenue, are a subset of stand-alone hospitals.** The limited number of small hospitals creates some difficulty in drawing conclusions from median trends, particularly as this cohort of providers has generally higher volatility than other larger and more diversified health care providers. There were 19 providers included in S&P Global Ratings' small hospital median calculations, down from 26 two years ago. The decrease is due to some providers increasing total operating revenue beyond \$150 million, as well as some acquisition activity.

**The ratings distribution for small hospitals continues to skew toward speculative-grade.** Ongoing high labor costs and inflationary pressures continued to affect small hospitals and have

contributed to downgrades, especially when combined with reductions in liquidity and financial flexibility. A greater percentage of small hospitals are rated in lower rating categories compared with stand-alone hospitals, with no small hospitals garnering a rating above the 'A' category. This is consistent with historical rating distribution trends, given the inherent risks associated with small hospitals, including less operating diversity and flexibility, small medical staff sizes, and limited service area and economic growth characteristics, all lending to increased volatility.

**More small hospitals carry a negative outlook.** Industry performance pressure and generally weakened financial results have led to more small hospitals carrying negative outlooks this year (37%) than in the previous year (23%). Small hospitals have historically held an elevated proportion of nonstable outlooks compared with stand-alone hospitals due to the aforementioned inherent risks, which can lead to more rapid financial deterioration than larger providers and typically longer recovery periods.

**The small hospitals we rate are diverse.** Although the number of providers is limited, there are a variety of hospital types in this cohort, including specialty hospitals, tax-supported hospital districts, and critical access hospitals. The cohort is also geographically broad, representing 14 states, with many located in rural locations. This diversity within such a small sample size also might contribute to some median volatility year-to-year.

[Continue reading.](#)

7 Aug, 2024 | 13:16

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## [\*\*S&P U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios - 2023\*\*](#)

### **Rating And Outlook Overview**

**We rate fewer stand-alone hospitals due to mergers and migration to systems.** The number of stand-alone hospitals rated by S&P Global Ratings dropped to 228 from 243 year over year, 94% of which are reflected in the 2023 medians. This continues the diminishing trend of rated stand-alone hospitals (15 in the past year) mostly due to mergers and acquisitions as well as a few stand-alone hospitals migrating to systems, which overall increased by 11 this year.

**There are fewer hospitals rated in the 'AA' category and more in the 'A' and 'BBB' categories.** The overall rating distribution of stand-alone hospitals remains relatively stable with some minor variations. In addition to a couple of stand-alone hospitals in the 'AA' category migrating to systems, there was also some movement down the rating scale as a couple of stand-alone providers have migrated out of the 'AA' category, and the percent of 'A' ratings has risen. The 'BBB' and speculative-grade categories are relatively stable.

**Stand-alone hospitals remain concentrated in the 'A' and 'BBB' categories.** About 70% of stand-alone hospital ratings are concentrated in the 'A' and 'BBB' rating categories, with an even split between 'AA' and speculative-grade for the remaining ratings. The distribution trends lower compared with system ratings, given stand-alone hospitals are more prone to disruption with narrower primary service areas and more limited revenue bases and therefore, generally need to have stronger ratios relative to systems to achieve the same rating. Although the bar is higher, this also provides stand-alone hospitals with greater financial flexibility to absorb some financial

stresses.

**Slightly favorable shift in outlook distribution between 2023 and mid-2024.** Given the larger sample size of stand-alone hospitals than for systems, small changes to the outlook distribution will be less pronounced in the percentages than they are for systems. The percent of stable outlooks increased from June 2023 to June of this year, although the percentages remain below historical levels. The percentage of negative outlooks remains slightly higher, accounting for almost one-quarter of rated providers, although slightly improved this year. Despite almost one-third of our outlooks being positive or negative, most ratings on stand-alone hospitals have a stable outlook.

[Continue reading.](#)

7 Aug, 2024 | 13:14

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## **[S&P U.S. Not-For-Profit Health Care System Median Financial Ratios - 2023](#)**

### **Rating And Outlook Overview**

**The number of rated health care systems slightly increased.** The number of systems rated by S&P Global Ratings rose to 173, of which 161 (or 93%) are included in the 2023 medians. This increase, despite ongoing system consolidation, is mostly due to new issuers seeking ratings, as well as stand-alone hospitals transitioning to systems per our criteria, given revenue growth and added acute care facilities.

**System rating distribution has shifted from the 'AA' category, despite the inherent strength of systems.** Higher-rated systems are characterized by robust enterprise profiles, greater scale and diversity than stand-alone hospitals, and seasoned management teams. However, they also remain subject to persistent broad sector headwinds that continue to affect operating performance. The number of systems rated in the 'AA' category fell to 39% of total rated systems, from 44% in 2022, with concurrent increases in the 'A' and 'BBB' categories. Speculative-grade rated systems remain rare, encompassing only four organizations, and are therefore excluded from tables 2, 3A, 3B, and 3C.

**Rating distribution for systems generally skews toward higher rating categories than those for stand-alone hospitals.** About 87% of systems are rated in the 'AA' and 'A' categories, compared with just 56% of stand-alone hospitals despite several of their financial medians being more favorable than those of systems. The median system rating is 'A+' compared with the stand-alone median of 'A-'.

**Negative outlooks remain elevated.** The systems rating distribution in higher categories is accompanied by generally lower rating volatility, where nonstable outlooks account for 23% of the outlook distribution, generally consistent with 2022, but more favorable than outlook distribution for stand-alone hospitals at 27%. That said, the percentage of negative outlooks for systems in 2023 and year-to-date through June 2024, although unchanged, is about double 2022 levels, highlighting operational headwinds the sector faced. Positive outlooks have remained largely consistent in the past three years at less than 5%.

[Continue reading.](#)

7 Aug, 2024 | 13:12

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## **S&P U.S. Not-For-Profit Acute Health Care 2023 Medians: Remarkably Level With Prior Year, But Performance Remains Notably Below Historical Norms**

### **Key Takeaways**

- Operating performance remained weak, but virtually unchanged from fiscal 2022 medians. Margins and coverage ratios were consistent across fiscal 2023, with little movement up or down although with some underlying progress as indicated by adjusted operating margin improvement. That said, profitability measures remain well below the decade's historical baseline.
- Balance-sheet metrics were mostly stable, with continued pressure on days' cash on hand. Median absolute unrestricted reserves rose modestly, concurrent with a decline in median long-term debt and leverage. However, expense growth continued to pressure operating liquidity, with days' cash on hand now below 200 for the first time in a decade.
- The growth rate of total operating expenses moderated. Following a dramatic 17% rise in fiscal 2022, median total operating expenses in fiscal 2023 reflected a manageable 5% uptick, well below the rate of increase for revenues with staffing adjustments and stabilizing labor costs.
- Leverage remained sound ahead of heavy borrowing observed in 2024. Debt measures were stable or improved in fiscal 2023, with sustained strong funding levels for defined-benefit pension plans. We anticipate some worsening in this area over the coming year as providers increase borrowing activity.

[Continue reading.](#)

7 Aug, 2024 | 13:08

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## **Brookings: Why Does Building and Maintaining Highways In the US Cost So Much?**

Building infrastructure in the U.S. costs substantially more than in other countries. For example, on a per-mile basis, the U.S. spends three times as much as other upper- and middle-income countries on certain transportation infrastructure. In a [paper](#) presented at the 2024 Municipal Finance Conference at Brookings by Will Nober of Columbia University, Cailin Slattery of the University of California, Berkeley, and Zachary Liscow of Yale University surveyed infrastructure procurement practices and collected project-level data across the 50 states to help explain why U.S. costs are so high.

The authors identify two major factors. The first is the limited capacity of state departments of transportation (DOT). Survey respondents widely agreed that DOTs have become understaffed over time and that reliance on consultants drives up costs. A one standard deviation in increase in state capacity (measured by state DOT employment per capita) is correlated with 16% lower costs. One standard deviation in increased consultant use is associated with 20% (\$70,000) higher costs per lane-mile of roadways on average.

The second factor is the limited competition in the market for government construction contracts. Most state DOTs report doing little bidder outreach, and there are fewer construction firms in most states than there were 10 years ago. A one standard deviation (12 percentage points) increase in outreach to bidders to increase the pool is correlated with 17.6% lower costs. This translates to a decrease of \$65,000 per lane-mile and \$1 million at the project level. Moreover, an additional bidder



on a project was associated with 8.3% lower costs, approximately \$460,000 for the average project. The authors also found that state DOTs that provide more details at the time of the bid-letting have lower costs, while states with more change orders, which are often the result of poor planning, have higher costs.

To learn more about the role of state capacity in driving infrastructure costs, Liscow, Nober, and Slattery collect data on individual DOT engineers in California. They find that a substantial amount of the variation in the cost of a resurfacing project can be explained by which engineer is assigned to it. Specifically, replacing a construction engineer at the 95th percentile of the cost distribution with a median engineer would reduce costs by 5.3% on average: \$24,000 per mile; \$220,000 per average project.

## **The Brookings Institution**

by Comfort Oshagbemi and David Wessel

August 5, 2024

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## **[The 5 Coastal States That Face the Most Devastating Flood Risk.](#)**

**Florida, Louisiana and New Jersey lead the list of states with critical infrastructure in the path of rising seas, a new study says.**

Flooding can disrupt communities not only by damaging homes and businesses, but also by knocking out facilities that provide essential services. When school buildings flood, students miss out on not only learning days but also access to subsidized meals. When hospitals get inundated, lifesaving treatments can get put on hold.

Storms like Hurricane Debby, which is set to saturate parts of Florida, Georgia and South Carolina with up to 30 inches of rainfall over this week, are becoming more frequent and severe in a warming world. But as sea levels rise, it doesn't necessarily take a major storm to bring high water: Since 2000, chronic tidal flooding — also known as sunny day flooding — surged 400% and 1,100% in the US Southeast Atlantic and Gulf Coast regions, respectively.

According to a recent report from the Union of Concerned Scientists, there are about 900 “critical infrastructure” sites along the US coastlines at risk of high-tide flooding at least twice a year. That figure can jump up to 1,600 by midcentury, affecting some 3 million people, largely in disadvantaged communities.

[Continue CityLab.](#)

## **Bloomberg Markets**

By Linda Poon

August 5, 2024

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## [Cyberattacks Still Ravage Schools, Defying White House Efforts Launched Last Year.](#)

**Thousands of school districts have tapped into resources committed by the private sector to shore up their cyberdefenses.**

A year ago this week, First Lady Jill Biden entered the White House East Room, greeted by an audience of some 200 education technology stakeholders, to headline the launch of a Biden administration [initiative to bolster school cybersecurity](#), following myriad incidents where hackers set their sights on school districts around the country. The digital intrusions have crippled schools' tech infrastructure and led to compromises of [sensitive student data](#), forcing administrators to direct funds away from vital services toward costly and prolonged IT overhauls.

For the initiative, the White House brought in private sector executives who, behind closed doors, worked out discussions with the Biden administration's top cyber officials over the course of just a few weeks, agreeing to offer up [free and subsidized cybersecurity resources](#) for schools in need of added digital shielding.

Recent years have proven that cyber threats to schools could no longer be ignored. Schools are a key [sub-sector](#) housed under the umbrella of government facilities, one of 16 [critical infrastructure sectors](#) designated by U.S. cyber experts. In the 2022 to 2023 school year alone, officials made note of multiple cyberattacks that targeted American school districts, according to a senior administration official who spoke to reporters last year in the hours leading up to the White House event.

[Continue reading.](#)

### **Route Fifty**

By David DiMolfetta,  
Cybersecurity Reporter, Nextgov/FCW

August 7, 2024

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## [US Colleges' Debt Strains Mount in One of Worst Years Since 2009.](#)

- **15 schools have disclosed technical, payment defaults in 2024**
- **College impairment tally approaches 2023 total of 17: MMA**

The challenging economics of higher education in the US are squeezing the finances of colleges and universities, driving more of them to struggle to pay their debt.

Fifteen institutions have disclosed new technical or payment defaults this year, according to data from Municipal Market Analytics. That's already just shy of last year's total of 17, the largest number of impairments — as such events are called — since at least 2009, coming in at more than twice the previous record.

The strains highlight the widening gap between the sector's haves and have-nots, as stronger universities with large endowments and brand recognition thrive while more regional institutions contend with rising costs and a steep competition for students. Weaker schools recovering from the

stress of the pandemic are also facing other pressures, such as student-aid-processing delays.

[Continue reading.](#)

## **Bloomberg Markets**

By Nic Querolo

August 12, 2024

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### **[When Climate Funds Pay for Highway Expansion.](#)**

**Several US states are tapping a federal carbon reduction program to fund highway projects, arguing that adding vehicle lanes can bring emissions down.**

Every month, Dennis Grzenzski drives the stretch of Interstate 43 that runs north of Milwaukee to a board meeting for the Blue Heron Wildlife Sanctuary. Along the route, the urban landscape gives way to undeveloped farmland. Traffic is usually pretty light. But the view on his drive changed in February 2022, when construction crews began work to expand the roadway from four to six lanes.

“By no stretch of the imagination was that a place that really needed more lanes because of congestion,” said Grzenzski, an environmental attorney who has fought the state on highway expansions — though not this specific project — for close to 30 years.

The Wisconsin interstate expansion represents one example of concerns raised by transportation and environmental advocacy groups around how states are spending funds from a federal program designed to lower carbon emissions. In 2023, the Wisconsin Department of Transportation used \$4.1 million of its annual \$24 million allotment from the Infrastructure Investment and Jobs Act’s Carbon Reduction Program (CRP) to fund work in the I-43 project, including energy-efficient lighting and signal technology.

[Continue reading.](#)

## **Bloomberg Citylab**

By Benton Graham

August 7, 2024

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### **[Stuck Bridges, Buckling Roads - Extreme Heat is Wreaking Havoc on America’s Aging Infrastructure.](#)**

**COMMENTARY | The rate at which a bridge or road deteriorates depends not only on the materials and construction methods used but also on the climate during the structure’s life span.**

Summer 2024’s record heat is creating problems for transportation infrastructure, from roads to rails.

New York's Third Avenue Bridge, which swings open for ship traffic on the Harlem River, was stuck for hours after its metal expanded in the heat and it couldn't close. Roads have buckled on hot days in several states, including Washington and Wisconsin. Amtrak warned passengers to prepare for heat-related problems hours before a daylong outage between New York and New Jersey; the risks to power lines and rails during high temperatures are a growing source of delays for the train system.

It doesn't help that the worsening heat is hitting a U.S. infrastructure system that's already in trouble.

The American Society of Civil Engineers gave U.S. infrastructure an overall grade of C- in its latest national Infrastructure Report Card, released in 2021. While there has been some improvement - about 7.5% of U.S. bridges were in poor condition, compared with over 12% a decade earlier - many bridges are aging, making them difficult to maintain. Forty percent of the road system was considered in poor or mediocre condition, and maintenance costs have substantially increased.

[Continue reading.](#)

## **Route Fifty**

By Suyun Paul Ham,  
Associate Professor of Civil Engineering, University of Texas at Arlington,  
The Conversation

August 6, 2024

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## **[\\$2.2B in Resiliency Grants Awarded to Upgrade the US Electric Grid by DOE - Duane Morris](#)**

On August 6, 2024, the U.S. Department of Energy (DOE) [announced](#) the first 8 selections for the 2nd round of the Grid Resilience and Innovation Partnership ("GRIP") funding specifically for the "Grid Innovation Program", one of three GRIP funding mechanisms. T

Per the DOE, through the second round of GRIP funding, the Grid Innovation Program will support 8 projects across 18 states, totaling approximately \$2.2 billion in federal investment. Selections for the remaining 2 funding mechanisms should be announced later this year.

### **California Energy Commission**

The California Harnessing Advanced Reliable Grid Enhancing Technologies for Transmission (CHARGE 2T) project is a public-private partnership that is intended to drive large-scale expansion to transmission capacity and improvements to interconnection process to increase and accelerate equitable access to renewable energy across California. CHARGE 2T is supposed to reconductor more than 100 miles of transmission lines with advanced conductor technologies and deploy dynamic line ratings (DLR) to quickly and significantly increase the state's system capacity to integrate more renewable energy onto the grid. CHARGE 2T also supports transmission interconnection reform through process improvements, an interconnection portal, workforce investment, and educational resource development.

[Continue reading.](#)

August 6 2024

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## [Expanding User Fees for Transportation: Roads and Beyond.](#)

### **Key Findings**

- Thanks to elevated deficits and interest rates, fiscal restraint is back in Washington.
- While substantially reversing America's fiscal situation requires structural reforms to entitlements and taxes broadly, reforming transportation funding would also help.
- The user-pays principle is a sound way to fund major infrastructure projects.
- Unfortunately, the US has moved away from the user-pays model, primarily due to the gas tax declining in real terms, but also due to excise taxes becoming weaker approximations of true user fees.
- By 2034, the gas tax and other car-related excise taxes are projected to raise less than half of the Highway Trust Fund's outlays.
- The ideal solution would be to replace existing excise taxes with true user fees, but raising existing excise taxes would be a better solution than continuing a growing reliance on general revenue.
- Fully paying for federal highway spending with user fees could reduce the federal deficit by over \$200 billion over the course of the next decade.

[Continue reading.](#)

### **Tax Foundation**

By: Alex Muresianu, Adam Hoffer, Jacob Macumber-Rosin, Alex Durante

August 7, 2024

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## [WSJ: What Economic Dangers Is the Bond Market Pricing In?](#)

### **Corporate debt was hit by the recent panic, but true concerns are mostly limited to a few corners of the market**

Even more so than stocks, bonds are often seen as an economic bellwether. If so, they are heading in a pretty positive direction.

The difference, or spread, between Treasury yields and the rate at which companies borrow has widened. Option-adjusted spreads on the investment-grade paper issued by blue-chip corporations closed at 1.11 percentage points Tuesday—an aftershock of the big stock-market selloff the day before. Spreads on debt issued by risky “high yield” issuers hit 3.81 percentage points. Both were the highest since last November. U.S. municipal bonds have been affected as well.

However, trading has normalized since. The spread on high-yield bonds closed at 3.4 percentage points Thursday. This still implies a rise in the default probability to 5.7% from 5.1% at the end of May, despite the fact that, as of the latest June data published last week by Fitch, actual U.S. leveraged-loan and junk-bond default rates had inched down to 4.06%. But it is a small increase, and

it may soon fully come back down.

[Continue reading.](#)

## **The Wall Street Journal**

By Jon Sindreu

Updated Aug. 9, 2024 5:29 pm ET

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### **Competitive Underwriters Face Mounting Pressure, Competition.**

Underwriters are experiencing greater pressure in the competitive market as several firms bid on deals more frequently, and deals, on average, see more bids and narrower spreads.

“Competitive underwriting remains a tough business that’s getting tougher,” said Justin Marlowe, professor at the University of Chicago Harris School of Public Policy and director of the school’s Center for Municipal Finance. “You see some firms that have been around for a while who seem to have stepped up their participation in competitive sales, and then a few others either who weren’t involved or being actively bid but are now getting more involved in the business.”

Competitive issuance during the first half 2024 was \$41.467 billion, up 18.7% from the same period of 2023, according to LSEG.

The top 10 competitive underwriters for the first half of the year saw some minor shuffling, with new entrants Truist and Raymond James bumping Citi and RBC Capital Markets. However, those just shy of the top 10 are getting more involved in bidding, according to LSEG Lipper.

Some major players in the negotiated space are absent from the top 10 competitive underwriters list, potentially due to this market being a higher-risk proposition, particularly when there’s volatility, market participants said.

Some firms, though, top the rankings year after year in both the negotiated and competitive markets.

BofA is one of the largest firms, in terms of capital and healthy balance sheets, said Matthew McQueen, head of municipal banking and markets at BofA.

The firm remained the top competitive underwriter during the first half of the year. It underwrote \$8.587 billion in 46 deals versus \$6.524 billion in 62 in 1H 2023.

Similarly, J.P. Morgan is still a top contender in competitive underwriting, moving up to second in the rankings in 1H 2024 from third in 1H 2023. The firm underwrote \$6.897 billion in 70 issues, up from \$3.183 billion in 43 issues, according to LSEG.

Both firms pride themselves on being a market leader and serving their large client bases.

“We have the commitment and the capital on balance sheet to continue to support our issuer clients and to distribute that to our investor clients,” McQueen said.

“We aim to be a top trading partner with all of our investor clients,” added Sean Saroya, managing

director and head of public finance trading at J.P. Morgan. “Being consistently active across the breadth of the competitive space is an important way to achieve that goal.”

Given its stature, BofA is particularly drawn to large deals, while J.P. Morgan tries to bid on every transaction of sufficient size.

Meanwhile, others, like Baird, retain their status by bidding as a large syndicate, having several other firms with it on every deal, said Peter Anderson, a municipal bond underwriter and trader at Baird.

This works out for the firm as Baird remained in fifth during the first half of 2024, underwriting \$2.9 billion in 226 deals versus \$2.869 billion in 249 deals in the first half of 2023, according to LSEG.

“We take a group mentality toward everything and work as one in getting these deals,” he said.

The amount of bidders on any competitive deal can vary.

Some deals, such as larger transactions with more risk, may attract a smaller group of bidders, while others will see a wider range, Saroya said.

In any market, especially ones with low “entry barriers,” there will be ebbs and flows of market participants: sometimes heavier, sometimes lighter, Anderson added.

Currently, it’s one of the “heavier” periods as firms attempt to chase the same deals, he said.

Data shows the average bids per competitive sale is up noticeably over the past few quarters, Marlowe said, rising to 8.5 bids in Q1 2024 from 6.1 bids in Q1 2022.

“With the interest rate environment we’re in, with these rates here, with retail participation, that naturally brings in more dealers looking for product,” said Doug Vissicchio, managing director and head of municipal trading at UBS.

A big part of the reason for the increased bid frequency is new and returning entrants to the competitive market, propelled, in part, by Citi’s exit.

“It’s a \$4 trillion market, and there is a need out there, so the market will absorb it,” McQueen said.

Many market participants worried about the impact of Citi’s departure on the muni market, including concerns over liquidity, but the bank’s exit created opportunities for firms like Truist to step in and gain a foothold, said Todd Bleakney, managing director and head of munis at Truist.

Truist was one of the new entrants into the top 10 competitive underwriters, ranking seventh. The firm underwrote \$1.436 billion in 23 deals in 1H 2024 after not underwriting any deals in 1H 2023, according to LSEG.

The bank took its time building its muni team over the past several years. It started beefing up its muni presence with the hiring of Scott Frail, head of public finance origination and syndicate at Truist, in 2021, followed by Bleakney a year afterward.

Since then, the bank has added around 20 employees, including at least four from Citi in March.

Competitive underwriting is another “extension” of what Truist is doing and building, Bleakney said.

“We see this as an opportunity to take more [of a market] share, but we’re trying to be methodical

and thoughtful and profitable as well,” he said.

Along with the new entrants, some longstanding firms stepped up their presence in the competitive market.

UBS, for instance, rose in the rankings to 12th in the first half of 2024, underwriting \$834.5 million in 33 deals, up from 24th and underwrote \$197.2 million in 10 deals in the same period of 2023.

When UBS exited the negotiated muni underwriting business, it “doubled down” on competitive underwriting, Vissicchio said.

“All of our customers depend on us for liquidity both on the bid side and on the offered side, and one of the best ways we can satisfy customer demand is staying in the [competitive] market,” he said. “We now have the luxury of being able to tailor our bids to what we think is best for our clients.”

This becomes more challenging as the average bid spread narrows. Bid spreads have steadily declined since the end of 2021, Marlowe said, noting that the average spreads across the past five quarters are the lowest in the past decade.

Multiple times throughout the week, UBS sees the top three or four cover bids all within a basis point of each other, said Vincent Pietanza, head of municipal competitive underwriting.

“A lot of times you need to bid through the market, not necessarily on the whole scale, but in spots,” Anderson said.

Many firms will get similar big presale orders from funds and “then it’s a race to who’s going to be the most aggressive and try to buy the deal,” leading to some frustration, he noted.

“It just goes to show you how tight the market bidding is right now and how hard it is to source products with a competitive space,” Pietanza said.

But even as firms compete against each other in an increasingly competitive marketplace, market participants say competitive underwriting is an important part of their business.

“Buying competitive deals allows us to expand our capabilities in ETFs and on the creation side,” Saroya said. “With increased inventory, we can more effectively engage in e-trading, portfolio trading, and swaps with clients. Sourcing risk for SMAs, funds and other investor clients is essential, making this integral to our business.”

By Jessica Lerner

BY SOURCEMEDIA | MUNICIPAL | 08/05/24 10:50 AM EDT

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## **[Growing Supply of Active Municipal Bond ETFs.](#)**

Actively managed ETFs continued to gain traction in July with \$24 billion of net inflows. This represented 19% of the industry’s net inflows, which remains impressive given the 7% share of the assets. However, last month’s most popular ETF will surprise you.

Six of the ten most popular active ETFs in July were fixed income products. Taxable bond funds like the Fidelity Total Bond ETF (FBND) and the Janus Henderson AAA CLO ETF (JAAA) continued to



gain traction. Yet, the Capital Group Municipal Income ETF (CGMU) gathered even more, adding \$1.3 billion of new money more than doubling in size.

### **Capital Group's ETF More Popular than iShares and Vanguard in July**

The fund has \$2.2 billion in assets, making CGMU the second largest actively managed municipal bond ETF. The JPMorgan Ultra-Short Municipal Income ETF (JMST) has \$2.8 billion in assets. JMST is a multi-state fund with an average duration of less than one year.

[Continue reading.](#)

**advisorperspectives.com**

by Todd Rosenbluth of VettaFi, 8/12/24

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### **With Muni Bonds, Active Management Holds Appeal.**

Rate cut expectations and a bout of equity market turbulence have led muni bonds and related ETFs to perk up.

That's good news for conservative income investors. But the asset class could be best approached with the benefit of active management. ETFs such as the Eaton Vance Intermediate Municipal Income ETF (EVIM) deliver on that front. The fund could be one of the municipal bond ETFs to consider over the remainder of this year and into 2025.

The reasoning for that assertion is simple. The current interest rate climate and related expectations for rate cuts could be indicators that active management has a window of opportunity to outshine passive muni strategies. Additionally, active managers can more swiftly seize upon credit and value opportunities than index-based muni bond rivals.

[Continue reading.](#)

**etftrends.com**

by Todd Shriber

August 12, 2024

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### **Munis See Biggest Rout in Nearly a Year as Economic Views Swing.**

- **Benchmark AAA yields jumped as much as 13 basis points**
- **State and local government debt sold off across the curve**

Municipal bonds slid on Wednesday after investors across fixed income markets dialed back a flight to quality bid.

The biggest rout came in the middle of the curve with yields on 15-year benchmark bonds surging 13 basis points, the most in almost a year, according to data compiled by Bloomberg.

The longest-dated securities saw yields jump 10 basis points, erasing gains during the flight-to-safety rally earlier this month.

The moves mark a week of unusually high volatility in the state and local government bond market as investors reassess the rally in safer assets fueled by concerns of a recession. The swings come in what was slated to be one of the busiest weeks of issuance for munis, and drove Chicago to delay its \$643 million bond sale that was expected to price on Wednesday.

[Continue reading.](#)

## **Bloomberg Markets**

By Nic Querolo

August 7, 2024

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### **[Former BlackRock Manager Gets 20% Return at Muni Bond Hedge Fund.](#)**

- **Pruskowski's strategy beats debt markets, many hedge peers**
- **Only about 25 US hedge funds focus on \$4 trillion muni market**

James Pruskowski learned the intricacies of the municipal bond market in his 30 years at BlackRock Inc., before exiting the world's largest asset manager in 2023. He brought that expertise to another arcane part of Wall Street, the hedge fund industry, and produced market-beating results.

His muni hedge fund at 16Rock Asset Management has generated a more than 20% return in the past 12 months, according to Pruskowski, crushing the market's benchmark by 16 percentage points and a broad hedge fund index by about 11 percentage points.

The \$7 million 16Rock Municipal Opportunities Fund, which charges a 1% management fee and a 20% levy on profits generated beyond a certain threshold, plans to close on \$100 million in investments by the end of the year, the 52-year-old money manager said.

[Continue reading.](#)

## **Bloomberg Markets**

By Martin Z Braun

August 8, 2024

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### **[Municipal Bonds: Where to Find Opportunities in a Volatile Market](#)**

**Despite unusual market volatility, munis can provide a boon for shrewd bargain-hunters.**

Municipal-bond investors have endured a roller-coaster ride with the usually steady muni market experiencing significant gains and losses since early 2022. Yet, while such volatility has given some investors heartburn, it also has provided a boon for shrewd bargain-hunters.

Federal Reserve interest-rate hikes hit munis hard in 2022, and much of the sector recorded double-digit losses and historic outflows from mutual funds even as the credit quality of muni issuers remained strong. Results improved in 2023 but were uneven. After a promising start to the year, muni returns remained negative through the end of October 2023. An impressive rally in November and December thrust the market into positive territory for the year and started to woo back weary investors. In fact, gains in 2023's last two months resulted in some of the best relative returns across the fixed-income landscape. On average, strategies in the muni-national long and high-yield muni Morningstar Categories earned 7.0% and 6.7%, respectively, over the 2023 calendar year. However, while strong, that still didn't make up for the double-digit losses endured in 2022.

Many hoped 2024 would bring luster back to the sector, but it got off to a slow start. The muni market was mostly flat through the end of May with returns muted by an increase in the supply of investment-grade muni bonds offered and uncertainty around the Fed's "higher for longer" message. While June hasn't always been kind to muni investors as redemptions often increase, the sector rallied this year. Strong credit fundamentals and some of the highest yields in decades finally brought consistent inflows back to muni strategies and boosted total returns, particularly in high-yield muni bond funds.

[Continue reading.](#)

**morningstar.com**

by Elizabeth Foos  
Aug 6, 2024

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## [SIFMA US Municipal Bonds Statistics.](#)

SIFMA Research tracks issuance, trading, and outstanding data for the U.S. municipal bond market. Issuance data is broken out by bond type, bid type, capital type, tax type, coupon type and callable status and includes average maturity. Trading volume data shows total and average daily volume and has customer bought/customer sold/dealer trade breakouts. Outstanding data includes holders' statistics. Data is downloadable by monthly, quarterly and annual statistics including trend analysis.

### **YTD statistics include:**

- Issuance (as of July) \$280.8 billion, +33.0% Y/Y
- Trading (as of July) \$12.9 billion ADV, +4.0% Y/Y
- Outstanding (as of 1Q24) \$4.1 trillion, +1.0% Y/Y

[View the SIFMA US Municipal Bonds Statistics.](#)

August 2, 2024

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## [Long Fiscal COVID: The Lingering Governmental Disease](#)

**Federal aid helped states and localities cope with the biggest costs of the pandemic. But good things don't last forever, and this one didn't.**

Well, it sure seemed like a good idea at the time.

In 2020-2021, the federal government sent half a trillion dollars to state and local governments to help them survive COVID-19. Public health experts worried that the pandemic would be bigger than anything since the influenza outbreak of 1918, which struck one-fourth of the U.S. population and killed 675,000 people.

COVID-19, economists projected, would surely produce a big economic downturn. There was a sudden stall as things shut down early in 2020, but the economy began recovering almost immediately. State and local governments brought in more revenue than anyone expected. Many of them got hooked on the federal cash, and now that money is drying up, revenues have softened and lots of state and local governments are facing big deficits. The relief plan ended up blowing a hole in the federal budget, digging the country deeper into debt and luring many state governments into a fiscal hole.

[Continue reading.](#)

**governing.com**

by Donald F. Kettl

Aug. 1, 2024

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## **[The Costs and Benefits to Municipal Bond Issuers of Close Ties to Banks.](#)**

Banks are key players in the municipal bond market, holding approximately 20% of outstanding municipal bonds. In a [paper](#) presented at the Municipal Finance Conference in July 2024, Gustavo S. Cortes of the University of Florida, Igor Cunha of the University of Kentucky, and Sharjil Haque of the Federal Reserve Board find that banks are more likely to hold bonds with issuers with which they have an established relationship. This study uses novel (and confidential) data on larger banks' portfolios from the Federal Reserve, which collected the data for its stress testing exercise. This provides far more detail and specificity about holdings than data available to authors of previous studies.

Banks prefer larger, longer-maturity, and insured bonds as well as bonds with higher-credit ratings, but are less sensitive to these factors when picking bonds from an issuer with which the bank has other relationships.

These relationships benefit both banks and issuers, the authors conclude. Banks extract information from lending relationships to enhance investment decisions. They can more accurately price bonds at initial issue and find undervalued opportunities, resulting in better-performing bonds.

[Continue reading.](#)

**The Brookings Institution**

by Sarah Ahmad and David Wessel

July 30, 2024

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## **Fitch: U.S. States' Resilience Remains High Despite Two Years of Weak Tax Revenue**

Fitch Ratings-New York-01 August 2024: U.S. states' financial resilience remains high despite a second consecutive year of weak overall tax collections in fiscal 2024, according to Fitch Ratings. Accumulated surpluses and record tax growth in 2021 and 2022 have allowed states to maintain rainy-day funds at historically high levels.

Overall, state tax revenue growth was roughly flat for the second consecutive year, driven by sluggish sales tax revenue growth, lingering effects of weak 2022 tax returns, and widespread income tax cuts, although actual experience varied by state.

For states reporting June data, median overall tax revenue growth for July 2023 to June 2024 (covering fiscal 2024 in 46 states) was 0.5%, with 16 states seeing yoy revenue declines, according to Fitch's review of 38 states' revenue collections. Monthly revenue reports vary in presentation by state. This data is timely and indicative but not necessarily definitive. Total state tax collections from July 2023 through May 2024 were below the highwater mark set in 2022 but were still well above pre-pandemic trends, based on Urban Institute data.

[Continue reading.](#)

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## **Fitch: Rising Negative Outlooks Reflect Weaker U.S. 2H24 Credit Environment**

Fitch Ratings-New York-31 July 2024: Fitch Ratings anticipates a modestly weaker U.S. credit environment in 2H24, according to the latest U.S. Credit Brief. Consumer spending growth has been holding up well and will likely be tempered as nominal wage and job growth slows. Housing demand is still solid but has recently softened with persistent high home prices, although affordability may improve with declining rates.

Fitch is forecasting two rate cuts in September and December. A soft landing is likely with moderating inflation and low unemployment, and we are projecting annual economic growth of 2.1%, down from 2.5% in 2023.

The vast majority of ratings across sectors in the U.S. have Stable Rating Outlooks. The percentage of ratings with Positive Outlooks exceeds those with Negative Outlooks, 7.2% vs. 5.1%, although the gap has narrowed with the increase in Negative Outlooks over the past four quarters, given cost and interest rate pressures on borrowers.

Delinquencies and defaults will continue to rise in 2H24 for rate sensitive borrowers, including CMBS, high-yield (HY)/ leveraged loan (LL), and subprime consumers. We are projecting higher CMBS delinquencies for all major CRE sectors in 2H24 due to increased maturity defaults from high rates. Structured finance downgrades are mostly tied to CMBS exposed to deteriorating office performance and lower valuations on specially serviced loans, primarily affecting ratings at 'BBBs' and lower.

We expect HY default rates of 5.0%-5.5% in 2024 and have revised our 2024 U.S. LL default rates up to 5.0%-5.5% from 3.5%-4% as high interest rates are pressuring highly levered issuers' liquidity

positions and ability to service debt.

Our North American sector outlooks are split fairly evenly between neutral and deteriorating. We changed our sovereign regional outlook to neutral from deteriorating due to an improvement in our 2024 U.S. growth forecasts compared to our forecasts made at the start of the year and our expectations for modest improvement in the U.S. budget deficit in 2024.

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## **[S&P 2024 Biannual Rating Actions For U.S. Municipal Retail Electric, Gas, And Wholesale Electric Utilities.](#)**

S&P Global Ratings maintains public ratings on 211 U.S. public power (retail electric and gas) and distribution electric cooperative utilities and 55 wholesale utility projects (across 39 wholesale electric utilities). In early 2024, we revised the U.S. public power 2024 sector outlook to negative, reflecting our opinion that financial performance of, and ratings on, U.S. public power utilities could weaken in 2024, due to a confluence of inflation, reduced consumer wherewithal to pay utility bills, the sensitivity of rate-setting bodies to economic conditions, and a developing trend of weakening financial margins. (For more information, see “U.S. Public Power And Electric Cooperative Utilities 2024 Outlook: Mandates, Rising Costs, And Diminishing Affordability,” published Jan. 23, 2024, on RatingsDirect.) These credit challenges have led to rating downgrades exceeding upgrades by seven to four in the first half of the year, outpacing 2023. Putting the numbers into perspective, the downgrades represent just 3% of the rated universe, but the negative sector outlook reflects our view that these issuers are more susceptible to the above mentioned financial pressures. Apart from rating changes, we revised more outlooks to negative than to stable or positive. During the first half of 2024, 57 ratings were unchanged after review (21% of the total combined sectors).

The number of ratings on new issuances increased more than 40% the first half of 2024 compared with 2023 for U.S. public power retail, gas, and wholesale electric utilities.

[Continue reading.](#)

29 Jul, 2024

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## **[2024 Mid-Year Update: Are Municipal Bonds on the Road to Recovery?](#)**

**Muni bonds underperformed in the first half of 2024 due to robust economic conditions and increased supply, but strong credit fundamentals and potential rate cuts could improve performance later.**

Through the first half of this year, municipal bonds fell short of projected performance expectations. The essential elements of a reliable source of income due to strong credit quality and benefits of interest income exempt from taxes remain foundational. Yet, the anticipated strong performance of the asset class so far has not materialized. So, we ask if our outlook has changed for the remainder of the year to provide some context for our outlook for the second half of 2024.

### **Expectations for the Second Half of 2024**

The risks we discussed in our Muni Trends to Watch in 2024 focused on the U.S. economic

environment, individual state laws and the municipal sector's challenges. Appropriately, we felt that our domestic economy would fairly quickly feel the bite of higher rates and efforts of the Federal Reserve ("Fed") to tighten monetary policy to temper inflation. History tells us not to ignore the risks of recession. The market's consensus in the direction of Fed rate cuts in early 2024 would have put municipals on a path to strong positive performance results because muni rates would have dropped. As we now see, that call was premature. Robust economic performance and lingering inflation have pushed out the likelihood of rate cuts to the third or fourth quarters as is the timing for better muni market performance.

Supply of new-issue bonds is the other primary area of change. The increase in newly issued bonds originates from a significant increase in the re-financing of older, outstanding debt.\* Since this component is now expected to add \$30-50 billion to year-end totals, the immediate effect has been to keep rates high and within zones of comparative attractiveness. It would not be surprising to see additional supply later this year, primarily in re-financing, should the Fed cut rates and spur a potential muni rally. Increased supply would provide a greater variety of available bonds in the market and a moderate move to lower rates—a classic example of cause and effect.

[Continue reading.](#)

## **Van Eck**

by James Colby, Senior Municipal Strategist

July 31, 2024

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### **Munis Extend Rally as Jobs Miss Cements Path to Fed Rate Cut.**

- **Yields on 10-year benchmark bonds fell 9 basis points to 2.6%**
- **Issuers expected to sell over \$15 billion of bonds next week**

Municipal bonds extended their rally on Friday after a lackluster jobs number cemented expectations that the Federal Reserve will start cutting interest rates by the end of its next meeting in September.

Yields on 10-year benchmark securities fell 9 basis points to 2.6% on Friday, following yesterday's move that marked the largest rally in weeks. Investors in search of safer assets fueled the rally, piling \$1.1 billion into municipal bond funds during the week ended Wednesday, the second largest weekly inflow of the year, while the market's biggest muni ETF saw its largest daily inflow in more than two years.

The moves cap an unusually busy week in the municipal bond market as investors sought to reposition portfolios out of fears that the US economy is at risk of moving toward a recession.

"What you're seeing is a strong move to quality in anticipation of yields falling, and you will continue to see a rotation to high quality," said Chip Hughey, managing director for fixed income at Truist Advisory Services. "This will probably improve muni to treasury ratios and create a bit more value on a relative basis."

More certainty about the path of rate cuts should help stabilize the market, but tax-exempt munis are still "vulnerable" because of a heavy supply calendar, according to a Friday research note by

Barclays Plc. Issuers are expected to sell more than \$15 billion of bonds next week, what would be one of the heaviest weeks of the year.

Year to date, muni supply is up about 36% compared to the same period last year, according to data compiled by Bloomberg. Hughey said he expects clarity around the path of interest rates could compel some issuers to move forward with financing plans, driving continued strength in supply going forward.

BlackRock's flagship muni ETF, the biggest in the market, saw its largest inflow since late April 2022, according to data compiled by Bloomberg. The iShares National Muni Bond ETF took in \$418.5 million on Thursday.

## **Bloomberg Markets**

By Nic Querolo

August 2, 2024

— *With assistance from Martin Z Braun*

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### **[Municipal Bonds Rally Most Since May as Fed Seen Slow to Cut.](#)**

Municipal bonds are staging a broad advance, pushing yields down the most in seven weeks as investors abandon stocks for fixed-income assets on concern the Federal Reserve is waiting too long to cut rates.

Yields on top-rated municipal benchmark bonds fell as much as seven basis points across the curve on Thursday, according to data compiled by Bloomberg. Thirty-year bond yields dropped seven basis points to 3.58% as of Thursday afternoon, heading for the biggest daily decline since May 3, while those on 10-year securities also posted a six basis point drop to 2.7%, the data show.

Fed Chair Jerome Powell indicated Wednesday that central bank officials are on track to reduce rates in September unless inflation progress stalls. The July employment report due Friday likely will fuel speculation on rate cuts.

[Continue reading.](#)

## **Bloomberg Markets**

By Elizabeth Campbell and Nic Querolo

August 1, 2024

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### **[Bond ETFs Amass Record \\$39 Billion in July in Big Rate-Cut Bet.](#)**

- **TLT, AGG, BND funds are among those seeing big flows in July**
- **Fed's Powell says interest-rate cut could come in September**



Fixed-income ETFs took in a historic amount of cash last month as investors pile into the bond market, positioning for the start of a Federal Reserve rate-cutting cycle.

Bond funds saw inflows of roughly \$39 billion in July, the most on record, according to data from Strategas. Investors are lavishing money across the fixed-income spectrum, from longer-duration government bonds and short-term obligations issued by Corporate America to muni ETFs.

The record spoils track a rally in Treasuries that has sent some yields tumbling to the lowest levels in months, with swaps traders now pricing in three quarter-point cuts in interest rates this year amid softening economic data. Fed Chair Jerome Powell said on Wednesday an interest-rate cut could come as soon as September.

[Continue reading.](#)

## **Bloomberg Markets**

By Vildana Hajric

August 1, 2024

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### **[Fitch: US Slowdown Looms Amid Heightened Political and Geopolitical Uncertainty](#)**

Fitch Ratings-New York/London-29 July 2024: US rate rises in 2023 have begun to show some effect on the labour market and demand, while politics remains an area of high uncertainty, and geopolitical risk is here to stay, Fitch Ratings says in a new report.

Signs of a slowdown in the US are evident in weak credit growth and slowing consumer spending. This should continue in 2H24 with headline real GDP growth materially decelerating though clearly remaining well above recession territory in our base-case forecasts.

Continued disinflation and the beginning of a global monetary policy pivot have reduced the probability of a major negative credit risk scenario stemming from continued monetary tightening. The ECB made its first rate cut in early June, following earlier moves by the Swiss National Bank and Bank of Canada, with the latter cutting for the second time in late July. While we now expect a slightly slower pace of rate cuts in 2024 from the Federal Reserve than our expectations at end-2023, the latest US inflation and labour market data support our view that two reductions are likely in 2H24.

Politics is an area of high uncertainty, as demonstrated in the string of elections in large economies in 2Q24 and early July, including France, the UK, India, Mexico and South Africa, as well as for the European Parliament. Incumbents lost ground or lost outright in all elections but Mexico. The forthcoming US election in November will be particularly relevant for global credit as it could mark a pivot point for policy in several important areas.

Wars in Ukraine and between Israel and Hamas have continued as have simmering tensions in other hotspots. The broader context of geo-strategic friction between major powers remains a key long-term theme. The greatest risk to credit would come from a direct conflict in one of these hotspots. However, broader geopolitical tensions are likely to continue to feed into such diverse areas as trade and investment policies, capital flows, supply chains and FDI.

'Risk Headquarters - 3Q24' can be accessed at [fitchratings.com](https://fitchratings.com)

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## **[After Several Years of Rapid Growth, State Budgets are Downsizing.](#)**

**For most states, 2025 represents a return to more typical economic conditions after an atypical period for their budgets.**

State budgets are expected to shrink substantially in fiscal year 2025 as the post-pandemic era of surging revenue, record spending and historic tax cuts comes to a close. According to new data released by the National Association of State Budget Officers, [total general fund spending is expected to decline to \\$1.22 trillion](#), a more than 6% drop from estimated levels in fiscal 2024, which ended for most states on June 30.

It's a vastly different picture from recent years, two of which were the fastest-growing years for general fund spending since NASBO first launched its fiscal survey in 1979. The final tally for fiscal 2024, for example, is expected to total \$1.3 trillion—a 13% increase from fiscal 2023, even after adjusting for inflation.

Although the decline in spending is comparable to the declines in 2009 and 2010, when the economic turmoil of the Great Recession drove state spending down by 5.8% and 6.6%, respectively, the situation now is driven by very different factors. For starters, California's 2025 budget [closes an eye-popping \\$46.8 billion budget deficit](#) in large part by cutting or delaying spending. That one state has an outsize influence on the total 50-state picture. In fact, NASBO estimates that about half of states are still planning on spending increases in 2025.

[Continue reading.](#)

### **Route Fifty**

By Liz Farmer

JULY 24, 2024

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## **[S&P U.S. State Ratings And Outlooks: Current List](#)**

[View the Current List.](#)

25 Jul, 2024

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## **[S&P: Criteria Released To Clarify Method For Determining Ratings-Based Inputs](#)**

NEW YORK (S&P Global Ratings) July 26, 2024—S&P Global Ratings today published "[Methodology For Determining Ratings-Based Inputs](#)." This article presents the principles S&P Global Ratings applies when assessing the creditworthiness of assets or entities it doesn't rate, where this

information is required to inform its rating analysis. These principles, which are materiality-based, are reflected in our sector-specific criteria.

This methodology follows our request for comment (RFC), titled "[Request For Comment: Methodology For Determining Ratings-Based Inputs](#)," published Jan. 17, 2024. For the changes between the RFC and the final criteria, as well as a summary of the comments received during the RFC process, see "[RFC Process Summary: Methodology For Determining Ratings-Based Inputs](#)."

## KEY CHANGES

This is a new article that formalizes and restates the key guiding materiality-based principles we consider when using rating inputs in our rating analyses. Those are used to perform our rating analysis in accordance with the application of many of our sector-specific criteria.

In addition, we updated our approach for incorporating other credit rating agencies' (CRAs) ratings into our analysis. Under this approach, when we use other CRA ratings, we do so without adjusting them by considering the materiality of those inputs to our overall credit rating analysis. This is to ensure that the ultimate ratings we assign reflect our credit opinions and are consistent with our ratings definitions. In contrast, the previous approach generally involved adjusting other CRAs' ratings, based in part on a statistical analysis, to account for differences with our own ratings.

This update has resulted in changes to certain sector-specific criteria, which we have republished. The prior versions have been superseded, except in jurisdictions that require local registration of the new articles, where they will be superseded—and the new articles become effective—only after the local registration process is completed. In addition, we have updated our guidance for rating CLOs and corporate CDOs.

[Continue reading.](#) **[Free Registration Required]**

26-Jul-2024

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## [S&P Criteria | Governments | U.S. Public Finance: U.S. Public Finance Long-Term Municipal Pools: Methodology And Assumptions](#)

(EDITOR'S NOTE: —On July 26, 2024, we released this criteria article following the publication of "[Methodology For Determining Ratings-Based Inputs](#)." See the "Revisions And Updates" section for details.)

For information about the initial publication of this article as of July 26, 2024, including key changes made following the publication of "[Methodology For Determining Ratings-Based Inputs](#)" on July 26, 2024, the impact on ratings, and superseded criteria, see "[Criteria Released To Clarify Method For Determining Ratings-Based Inputs](#)."

1. This criteria article describes S&P Global Ratings' methodology and assumptions for rating U.S. public finance issues and issuers backed by long-term municipal pools.
2. This article is related to our criteria article "[Principles Of Credit Ratings](#)," published Feb. 16, 2011.
3. Long-term municipal pool programs (hereafter referenced as municipal pool programs) vary in

structure, funding, and purpose. Examples of municipal pool programs range from government-supported state revolving funds and bond bank programs to more localized private sector-related economic development programs and pool programs that enjoy only a tangential relationship with a quasigovernmental organization. Most programs operate only in a single state.

4. The criteria reference criteria for municipal and corporate collateralized debt obligations (CDOs), reflecting the similarities in structure and purpose. The use of the other criteria reflects a desire to further illustrate comparability across sectors. Accordingly, readers should also reference the following articles:

- [“CDOs And Pooled TOBs Backed By U.S. Municipal Debt: Methodology And Assumptions”](#) July 26, 2024 (the Muni CDO criteria)
- [“Global Methodology And Assumptions For CLOs And Corporate CDOs,”](#) published June 21, 2019 (the corporate CDO criteria)

5. While the criteria reference these similarities, they also recognize that the public purpose nature of municipal pool programs affect credit quality. Public-sector objectives of funding infrastructure improvements and recycling this money in a sustainable manner can result in different risk-taking behavior relative to the goals of maximizing yield return or profit. The methodology therefore uses a public finance enterprise framework to assess both enterprise and financial risk, consistent with other types of municipal enterprises.

[Continue reading.](#) **[Free Registration Required]**

26-Jul-2024

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## **[S&P U.S. Public Finance Annual Reviews Processed.](#)**

This publication does not constitute a rating action.

S&P Global Ratings has performed annual reviews of the credit ratings of the issuers/issues listed below.

In an annual review, S&P Global Ratings reviews current credit ratings against the latest issuers/issues performance data as well as any recent market developments. Annual reviews may, depending on their outcome, result in a referral of a credit rating for a committee review, which may result in a credit rating action. The below list is not an indication of whether or not a credit rating action is likely in the near future.

The key elements underlying the credit rating can be found in the issuer’s latest related publication, which can be accessed by clicking on links below. Additionally, for each issuers/issues listed below, S&P Global Rating’s regulatory disclosures (PCRs) can be accessed on the relevant page on [www.spglobal.com/ratings](http://www.spglobal.com/ratings) by clicking on Regulatory Disclosures underneath the current credit ratings.

[Continue reading.](#)

22-Jul-2024

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## [Fitch Ratings Introduces New U.S. Local Government Data Comparator.](#)

Fitch Ratings-New York-30 July 2024: Fitch Ratings has published a new dataset covering issuers rated using our recently launched U.S. Local Government Rating Model.

The file provides the current Issuer Default Rating and Rating Outlook along with detailed model data supporting the rating. This information includes headroom, model data inputs, assessments, and metric outputs associated with key rating drivers. It also provides any Additional Analytical Factors incorporated into the rating that were not captured in the model's Metric Profile.

Comprehensive overviews of the rated portfolio are available on the table tabs. Users can also easily focus in on a specific issuer by using the Ratings Analysis Snapshot option.

Fitch will update the file periodically with current data as more issuers are reviewed using the model. The file is available on Fitch's websites or by clicking on this link: [U.S. Local Government Data Comparator](#). Please bookmark this link for easy access to the most recent version.

The dataset should be read in conjunction with Fitch's U.S. Public Finance Local Government Rating Criteria.

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## [New \\$255M Federal Grant Will Help State, Local Public Health Agencies Modernize Data Systems.](#)

**The program looks to improve data sharing infrastructure and processes for public health agencies to better detect and manage health threats.**

Coping with future public health threats means more state and local agencies—many of which rely on aging infrastructure and still collect data by faxes and manual entry—must modernize their data systems, experts say.

To do that, a new \$255 million federal program will support state, local and tribal governments' data modernization projects by offering them technical assistance, policy and legal advice, and guidance documents, among other resources. Funded by the U.S. Centers for Disease Control and Prevention, the Data Modernization Implementation Center program will help develop robust and secure data exchanges among public health agencies, said Jennifer Layden, director of the CDC's Office of Public Health Data, Surveillance and Technology.

"Public health has a responsibility to detect health threats or diseases that warrant immediate action ... to identify outbreaks and then work to investigate and shut down that outbreak," Layden said. And that, she continued, "relies on timely data."

[Continue reading.](#)

### **Route Fifty**

By Kaitlyn Levinson,  
Assistant Editor, Route Fifty

JULY 23, 2024

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## [How Cities Are Using Biden's \\$4.3B Climate Pollution Reduction Grants.](#)

**The grants “put local governments in the driver’s seat to develop climate solutions,” a federal official said. Communities plan to use the money for electrification, bike-sharing and more.**

Local, state and tribal governments are getting a total of \$4.3 billion from the federal government for projects that reduce greenhouse gas emissions, the U.S. Environmental Protection Agency announced on July 22.

The Climate Pollution Reduction Grants program is funded by the Inflation Reduction Act. Monday’s announcement marks the second and final phase of the program. In the first phase, the EPA provided \$250 million in noncompetitive grants to communities to develop plans to drive down greenhouse gas emissions.

The second phase, however, was competitive, with the EPA receiving almost 300 applications requesting a total of nearly \$33 billion.

[Continue reading.](#)

### **Smart Cities Dive**

Ysabelle Kempe

Published July 23, 2024

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## [Would a 10% Cash Buffer on Open-End Bond Funds Reduce Fire Sales?](#)

[Regulators](#) and [academics](#) have warned repeatedly that [open-end bond mutual funds](#) pose a significant risk to financial stability. If at a time of financial stress, lots of mutual fund shareholders pull their money out at the same time, the funds may be forced to sell bonds in their portfolios at fire sale prices. This can push down prices of other bonds, thus raising yields, and boost borrowing costs across the economy. In March 2020, for example, at the onset of the COVID-19 pandemic, investors [took a record \\$45 billion](#) from municipal bond funds, prompting the Federal Reserve to intervene to make loans backed by muni bonds and to offer to lend directly to state and local governments.

To reduce the risk of a repeat, the [Securities and Exchange Commission has proposed](#), among other things, requiring open-end funds to keep at least 10% of their portfolio in highly liquid assets, such as short-term Treasury bills, so that they can satisfy a flood of shareholder redemptions without selling much less liquid municipal or corporate bonds. In a [paper](#) presented at the Municipal Finance Conference at Brookings in July 2024, economists Sergey Chernenko of Purdue University and Viet-Dung Doan of Hong Kong Baptist University find that—assuming the historical relationship between outflows from mutual funds and their sale of assets—such a requirement would have “a limited effect” on mutual funds sales of bonds from their portfolio when investors pull out large sums.

Chernenko and Doan construct a novel data set with daily trading, inflows and outflows, and cash buffers of municipal bond mutual funds. The funds did sell bonds from their portfolios when investors pulled money out. They estimate that \$1 of outflows from a fund is associated with 24.2

cents of bond sales initially and another 26.9 cents worth of bonds in the following 15 trading days. The remaining outflows, they assume, are met by the funds' cash reserves. Larger funds tend to sell less in response to outflows, as do funds holding longer maturity bonds.

The authors use pre-COVID data to estimate the behavior of the funds and then estimate how differently funds would have behaved between March 9 and April 30, 2020, if they had held 10% of their assets in a cash buffer. Specifically, a 10% liquid assets buffer would have reduced cumulative aggregate sales by municipal bond mutual funds in the early stages of the pandemic by only about 18%. "Requiring cash buffers on the order of 10% is unlikely to have a significant effect on flow-induced sales during periods of market stress," they conclude.

Chernenko cautions, though, that funds might behave differently if all were required to have a 10% cash buffer. Absent such a policy, consider a fund that has a large cash buffer and knows that other funds do not. That fund might be reluctant to draw down the buffer instead of selling assets today to meet redemptions. It might worry that there will be outflows tomorrow and that, because other funds have little cash, they will have to be selling assets. If the fund draws down its cash and delays selling assets today and then faces outflows the day after tomorrow, it may have to sell assets at really low prices because of massive selling by other funds. However, if all funds were required to have a 10% cash buffer, then all of them might be comfortable in drawing down their cash buffers instead of selling assets, knowing that other funds won't be forced to sell assets at fire sale prices.

Still, in responding to questions at the conference, [Chernenko said](#) regulators should consider ways other than requiring the 10% cash buffer to shield the financial system from the turmoil caused when shareholders pull lots of money out of the open-end funds.

by David Wessel

July 25, 2024

**The Hutchins Center on Fiscal and Monetary Policy**

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## [\*\*Hefty Demand for \\$269 Billion of Muni Sales Has Buyers on Hunt.\*\*](#)

- **Investors are searching for overlooked muni securities**
- **Others are scouring the secondary market or sitting in cash**

The \$9 billion-a-week market for new sales of state and local government debt is now so crowded that investors are being forced to get creative in their hunt for value.

There's been a record onslaught of issuance from municipal borrowers this year, with sales totaling \$269 billion marking an increase of 38% from 2023's volume. That supply — bolstered by a rush to issue before the November US presidential election — has been met with a surprising amount of enthusiasm in the \$4 trillion muni market, frustrating long-time investors because it's harder to get allocations of securities they want.

That tension is mirrored across fixed-income markets as global investors clamor for bonds. Credit spreads on both investment grade and junk-rated corporate bonds have tightened, with high-yield taxable debt trading at a spread roughly 100 basis points below the five-year average.

[Continue reading.](#)

## **Bloomberg Markets**

By Erin Hudson and Amanda Albright

July 26, 2024

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### **[Free Funds! \(For Now\) and a Life Beyond Bonds.](#)**

#### **It's On The House**

It's becoming increasingly common for issuers to waive some or all of an ETF's expense ratio until the fund reaches a certain threshold of assets. US-listed spot crypto ETFs have supercharged the trend: the majority of the newly launched Ether ETFs have waived fees, following in the footsteps of the spot Bitcoin ETFs that debuted in January.

It's not just crypto, though. Invesco's just-launched Income Advantage Suite funds cost nothing between now and year-end, while the Roundhill Cannabis ETF (ticker WEED) dropped its expense ratio to zero from 40 basis points earlier this month for at least one year.

The logic is simple: issuers are hoping that by putting their funds on sale, investors will buy at a bargain — and then be charged full price once the waiver rolls off. But does that actually work?

[Continue reading.](#)

## **Bloomberg Markets**

By Katie Greifeld

July 26, 2024

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### **[New York Life Buys Muni-Bond Funds With \\$1.2 Billion From Aquila.](#)**

New York Life Investment Management said it acquired six municipal-bond funds from Aquila Investment Management LLC, a four-decade-old firm that carved out a focus on vehicles for investing in debt from specific states.

The funds, which had about \$1.2 billion of assets, had delivered a lackluster run in recent years as US markets were battered by the Federal Reserve's interest-rate increases.

MacKay Municipal Managers, part of New York Life Investments, will oversee the funds.

[Continue reading.](#)

## **Bloomberg Markets**

By Amanda Albright and Sri Taylor

July 22, 2024



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## [\*\*Goldman Sachs Adds Muni Bond Funds to ETF Lineup.\*\*](#)

Goldman Sachs Group Inc., which manages \$2.93 trillion in assets, is adding four actively managed municipal bond ETFs to its lineup as it aims to tap into rising demand for active bond funds while increasing options for tax conscious investors.

[Continue reading.](#)

### **Yahoo Finance**

by DJ Shaw

Thu, Jul 25, 2024

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## [\*\*Goldman Sachs Makes Bigger Bet on \\$129 Billion Muni ETF Market.\*\*](#)

- **Goldman Sachs Asset Management launches four new funds**
- **Offerings include a product aimed at New York investors**

Goldman Sachs Asset Management is launching four new municipal-bond exchange-traded funds, adding to the \$129 billion corner of the state and local government debt market.

The firm, the investing arm within Goldman Sachs Group Inc., has created the actively-managed products which include a fund focused on ultra-short municipals and one that invests in tax-exempt debt sold by New York borrowers. More money managers have seized on demand for ETFs that are often lower-cost than mutual funds. The investment management business of Prudential Financial Inc. also introduced muni ETFs last month.

Inflows into muni ETFs in 2024 stand at roughly \$5.4 billion, trailing last year's pace when the funds collected more than \$15 billion. However, demand has picked up in June and the products recorded an influx of over \$2 billion, the biggest month so far this year, according to Bloomberg Intelligence data.

[Continue reading.](#)

### **Bloomberg Markets**

By Amanda Albright and Erin Hudson

July 25, 2024

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## [\*\*Ex-Preston Hollow Duo Start Their Own High-Yield Muni Firm.\*\*](#)

Two former executives from Preston Hollow Community Capital Inc. started a new firm, V2 Municipal Capital, that will source high-yield municipal bonds exclusively for alternative asset manager Fundamental Advisors.

Charlie Visconsi, who previously served as co-head of originations at Preston Hollow, and Ron Van Den Handel, a former managing director on the originations team, started V2MC this month, according to a statement Wednesday. It will target investment opportunities in health care, housing, education and infrastructure.

At Preston Hollow, a Dallas-based municipal lender, the two muni veterans sourced new deals for the firm. A representative for Preston Hollow didn't immediately reply to a request for comment.

[Continue reading.](#)

## **Bloomberg Markets**

By Amanda Albright

July 24, 2024

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### **[S&P U.S Public Finance 2024 Midyear Outlook: A Cooldown Ahead](#)**

Higher interest rates and inflation remain headwinds for most U.S. public finance issuers from a debt issuance and operating and capital budget perspective. Credit conditions have been mostly stable, but credit pressure has accelerated for some sectors and the outlook distribution has weakened.

[Download the PDF.](#)

**[Free Registration Required]**

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### **[U.S. Not-For-Profit Private College And University Fiscal 2023 Medians: Inflated Expenses, Deflated Support Contribute To Weaker Margins](#)**

#### **Key Takeaways**

- U.S. not-for-profit private colleges and universities faced ongoing demand pressure in fiscal 2023, with a median enrollment decline of 0.8%. However, those in the 'AAA' and 'AA' rating categories generated stable demand while enrollment decreases were concentrated in lower rating categories.
- Absent federal relief funding, enrollment decreases, increased tuition discounting, and inflation contributed to weaker operations in fiscal 2023, particularly for 'BBB' and speculative-grade institutions.
- While median cash and investments fell year over year, balance sheets remained stronger than they were before the pandemic.
- The median debt burden dropped slightly sectorwide but increased for speculative-grade issuers.

[Continue reading.](#)

July 18, 2024

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## [\*\*S&P U.S. Not-For-Profit Public College And University Fiscal 2023 Medians: Rising State Funding Offers Hope Amid Continued Demand Pressures\*\*](#)

### **Key Takeaways**

- U.S. public higher education institutions continued a long trend of weakening demand metrics in fiscal 2023, with a median enrollment decrease of 0.7%. This trend was almost evenly spread across rating categories with the exception of a small increase in median enrollment at 'AAA' rated flagship institutions.
- Freshman application metrics were down similar to enrollment trends, but public colleges and universities had more success in maintaining retention and graduation rates.
- While demand pressures and the depletion of federal relief funds translated into tightening financial performance, improved state funding allowed most institutions to maintain net operating results close to pre-pandemic levels.
- Despite some volatility in investment markets, nearly all financial resource ratios modestly improved in fiscal 2023 across rating categories.

[Continue reading.](#)

18 Jul, 2024 | 19:18

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## [\*\*Disaster-Struck Cities Fight for Aid as FEMA Runs Low.\*\*](#)

- **FEMA is stretched thin as number of big disasters pile up**
- **Massachusetts mayor warns others to 'lower those expectations'**

A once in 200-years storm dumped 11 inches of rain over four hours on the central Massachusetts town of Leominster in September, washing away culverts, creating a sinkhole that swallowed cars at a dealership and flooding the city council chambers with sewage.

Damages to public infrastructure in Leominster exceeded \$24 million, but the federal government denied a request for reimbursement to fix everything from dams to sanitation mains, and rejected Governor Maura Healey's bid for a major disaster declaration for impacted counties in the center of her state. And last month, Healey said the US Federal Emergency Management Agency turned down her appeal.

"The perception of most is FEMA is there when you get into large scale events — they are going to help you," said Leominster Mayor Dean Mazarella, who is now weighing how to pay for both a new elementary school that was planned before storms hit and the damage they caused. "Practice self reliance. If you are waiting for the federal government to help, lower those expectations."

[Continue reading.](#)

### **Bloomberg CityLab**

By Shruti Singh

July 12, 2024

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## [\*\*Major Federal Bridge Grants Jump-Start Long-Stalled Projects.\*\*](#)

**The Biden administration announced \$5 billion to build major bridge replacements, including several grants that were among the largest received by states in their history.**

More than a dozen large bridge projects secured federal funding Wednesday, including long-planned connections in Portland, Oregon; Cape Cod, Massachusetts; Mobile, Alabama; Wilmington, North Carolina; and Harrisburg, Pennsylvania.

The Biden administration announced the \$5 billion in grants funded under the 2021 infrastructure law, with Transportation Secretary Pete Buttigieg and other federal officials planning to visit the selected sites over the coming weeks.

“Today’s announcement means that millions of people will have a better and safer commute, and that every American will benefit in some way—whether they use these bridges or not—from the smoother supply chains hitting fewer bottlenecks at 13 of the most significant bridges in the country,” Buttigieg told reporters.

[Continue reading.](#)

### **Route Fifty**

By Daniel C. Vock,

JULY 17, 2024

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## [\*\*The Election Could Have a ‘Massive Impact’ On the Municipal Bond Market, Analyst Says.\*\*](#)

### KEY POINTS

- The election outcome and future policy could impact the municipal bond market, experts say.
- A popular asset for higher earners, muni bonds generate interest that is federally tax-free and avoids state levies when investors live in the issuing state.
- However, there’s uncertainty around interest rates, income taxes and public financing.

With interest rate cuts from the Federal Reserve likely on the horizon, municipal bonds could soon see higher demand, experts say. But there are several factors to watch, including the election outcomes of the presidential and congressional races, and future policies

[Continue reading.](#)

**cnbc.com**

Kate Dore, CFP®

THU, JUL 18 2024

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## **Muni Funds See Biggest Inflow Since May as Rate-Cut Bets Build.**

- **Investors add about \$900 million in latest week: LSEG Lipper**
- **First Eagle's Miller, BlackRock see scope for continued inflow**

Municipal bond funds are seeing the largest burst of demand in months as confidence builds that the Federal Reserve will start lowering interest rates as soon as September, bolstering the outlook for fixed-income more broadly.

Investors added about \$900 million to funds focused on US state and city debt in the past week, the most since May, according to LSEG Lipper Global Fund Flows data. It was the third straight week of additions, and followed the muni market's best month this year, which could help spur continued improvement in investor appetite, according to BlackRock's municipal bond group.

[Continue reading.](#)

### **Bloomberg Markets**

By Maggie Eastland

July 19, 2024

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## **Muni Bond Sales Surge With Debt Met by Eager Investor Demand.**

- **Monthly visible supply for muni bonds stands at \$16.1 billion**
- **Market benchmark has returned about 0.22% so far this year**

Municipal bond sales are surging at the fastest clip in weeks as issuers focus on the prospect of lower borrowing costs amid growing expectations that the Federal Reserve will start cutting interest rates as soon as September.

US states and local governments are expected to sell \$16.1 billion of debt over the next 30 days, a number that represents a fraction of what may actually come to market because deals are typically announced with less than a month's notice. That figure, which sums the forward-looking calendar, shows the quickest pace of new offerings since early June and roughly 68% more than the 12-month average, according to data compiled by Bloomberg.

The supply uptick is a result of a slew of factors, including cities' need to finance new infrastructure and a higher cost of construction for projects, said Matthew Caggiano, co-head of municipal bond strategy at DWS Investment Management. Issuers have also been rushing to refinance Build America Bonds with tax-exempt debt, which has boosted new deals.

[Continue reading.](#)

### **Bloomberg Markets**

By Erin Hudson and Amanda Albright

July 16, 2024

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## **[WSJ: Some Investors Are Still Paying High Prices for Munis](#)**

Some muni market investors are paying far more than others for the same bond on the same day, even after a 2018 rule improved the situation somewhat.

That's the upshot of two recent analyses of trading in municipal bonds, debt issued by state and local governments. Wealthy U.S. households like munis because their interest is tax-exempt. But unlike with stocks, there is no publicly searchable daily price information. Wall Street bond dealers broker the trades, deciding what prices they are willing to pay sellers and how much to accept from buyers.

In 2018, the SEC mandated that after an investor buys a bond, the dealer must provide a disclosure giving them an idea of what others had recently paid for it. Trading costs subsequently fell on frequently traded bonds, according to a paper presented Wednesday at the Brookings Institution by a University of Nebraska-Lincoln graduate student.

But a survey of trading data collected during two three-day periods of relative market calm this year found that for about 20% of the debt traded multiple times during those stretches, the highest price paid for a specific bond was at least 1% more than the lowest price. For almost 4% of the debt, the difference was greater than 3%.

That analysis, by fixed income research and data firm Solve, found dealers benefitting from the gaps. In one example, a dealer gave an investor \$28,495 for some New York Metropolitan Transportation Authority bonds, then within a few minutes turned around and sold them to another dealer for \$28,928, netting a profit of about \$433. On another morning, three dealers traded bonds from a private college in Pennsylvania among themselves before an investor finally bought the bonds for \$48,100 - or \$918 more than the highest price any dealer had paid.

The Solve analysis echoes [findings two years ago](#) by a trio of professors who found dealers mark up prices when investors are less likely to notice.

### **The Wall Street Journal**

By Heather Gillers

July 18, 2024

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## **[Fitch: Policy Outcomes of U.S. Election Could Matter for Credit](#)**

Fitch Ratings-New York-08 July 2024: The outcome of November's U.S. elections could mark a significant pivot point for federal policy with implications for credit, Fitch Ratings says in a new report.

A status quo outcome where incumbent President Joe Biden returns to office with a split Congress would likely mean a broad continuation of major policies. A victory by presumptive Republican nominee and former President Donald Trump would likely mean changes to key policy areas, especially should the Republicans take control of the Senate while retaining or growing their majority in the House of Representatives.

In the event of a change in administration, we believe there are seven key policy themes that could

have the biggest impact to credit. These are trade protectionism, persistent fiscal pressures, geopolitical positioning & foreign policy, a climate policy rollback, financial deregulation, social policy reform and restrictive immigration. Trade protectionism and fiscal pressures have been bipartisan trends, where we would expect a Trump administration to mark an amplification in policies. The other policy areas would likely experience sharper pivots.

There would likely be credit positives and negatives from a major policy shift. In the short term, there would not likely be broad-based direct ratings effects, barring the passage of certain policies that would require legislation and have a low probability of occurring. However, over the medium and longer terms, indirect feedthroughs could prove more meaningful to certain sectors.

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## **[U.S. Presidential Election: Key Cross-Sector Themes - Fitch](#)**

The outcome of November's 2024 U.S. elections could be profound for the trajectory of federal policy with implications for credit. Fitch Ratings believes a victory for incumbent President Joe Biden and a split Congress - a status quo outcome - would mean a continuation of key policies, including for the budget, foreign policy and trade, the regulatory environment, social policies and climate. By contrast, a victory by presumptive Republican nominee and former President Donald Trump would likely mean changes to key policy areas. This could include departures from long-held bipartisan consensus, such as in foreign policy, even under a divided government scenario. The probabilities of rapid and profound policy changes would rise significantly should Republicans also take control of the Senate while retaining or increasing their majority in the House of Representatives

### **[ACCESS REPORT](#)**

Mon 08 Jul, 2024

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## **[Wall Street's Portfolio-Trade Fad Hooks Illiquid Muni Market.](#)**

- **Technique made up 10% of June's corporate-bond trading volume**
- **AllianceBernstein, Vanguard embrace it for liquidity benefits**

The boom in portfolio trading is starting to creep into the market for state and local government debt.

The tactic, which allows investors to buy or sell bundles of bonds at once, has become popular in the US corporate bond market over the past six years. Now municipal bond managers are starting to catch on, too.

Portfolio trading holds the promise of injecting more liquidity into the buy-and-hold market, where debt sold by small towns and school districts may not trade for months or even years. That makes it difficult for investors to determine the value of a particular bond and has contributed to higher trading fees — a problem that may be eased if more rarely traded bonds are included in lots sold by portfolio trades.

**[Continue reading.](#)**

**Bloomberg Markets**

By Amanda Albright

July 11, 2024

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## **[Assured Guaranty to Combine Its Two U.S. Financial Guaranty Insurers; Assured Guaranty Municipal Corp. to Merge into Assured Guaranty Inc.](#)**

HAMILTON, Bermuda, July 08, 2024--(BUSINESS WIRE)--Assured Guaranty Ltd. (NYSE: AGO) (together with its subsidiaries, Assured Guaranty) announced today that Assured Guaranty Municipal Corp. (AGM) will merge into Assured Guaranty Inc. (AG), which was named Assured Guaranty Corp. until May 24, 2024. The effective date of the merger is expected to be August 1, 2024.

“We see this merger as beneficial for all our stakeholders,” said Dominic Frederico, President and CEO. “It will result in more efficient utilization of the combined capital of the two companies, and it will simplify the administration and eliminate duplicative expenses of Assured Guaranty’s U.S. financial guaranty operations. Over its nearly 40 years in the financial guaranty business, Assured Guaranty has continually evolved, constantly looking for ways to better serve our customers and grow our business. This merger further positions us to achieve those goals.”

By aggregating AGM and AG into a single insurance company, the merger enlarges the pool of capital available to support each insurance policy and results in a further diversification of the insured portfolio’s credit profile. The merger is also expected to strengthen Assured Guaranty’s ability to continue successfully executing its strategies to achieve its business objectives. The new AG, compared with either AG or AGM before the merger, will have:

- a larger, more highly diversified insured portfolio
- a larger investment portfolio and a larger capital base, creating a more efficient capital structure, and
- greater claims-paying resources.

The merger combines two companies that have identical ratings from S&P Global Ratings, Kroll Bond Rating Agency and Moody’s Ratings and should have no impact on Assured Guaranty’s strong and stable financial strength ratings.

In recent years, AGM has served as Assured Guaranty’s flagship financial guaranty insurance company, offering guarantees on U.S. and non-U.S. public and infrastructure finance obligations, while AG has provided risk and capital management solutions for insurance, pension and banking institutions, offered guarantees on structured financings, and served as the acquirer or reinsurer of insured portfolios of non-affiliated financial guaranty insurers in runoff. Both companies’ insured portfolios contain public and infrastructure finance exposures and structured finance exposures.

“Assured Guaranty has been growing and broadening the financial guaranty products it provides and the markets it serves, extending a long tradition of innovation,” said Robert Bailenson, Chief Operating Officer. “This transaction will eliminate an unnecessary distinction between the companies and allow us to even more effectively lead the bond insurance industry.”

AG will continue to be domiciled in Maryland, and the Maryland Insurance Administration (MIA) will be its primary regulator, as it has been since December 31, 1987. Upon effectiveness of the merger, by operation of law, AGM-insured securities will become guaranteed obligations of AG, a larger



combined company. AGM's subsidiaries Assured Guaranty UK Limited and Assured Guaranty (Europe) SA will become subsidiaries of AG and will continue to operate as they did previously.

In connection with the merger of AGM into AG, the MIA approved a \$300 million stock redemption (sometimes described as a "special dividend") by the combined company, which is expected to be effectuated shortly following the merger.

Additional information on the merger can be found in a Presentation and a Q&A document on the Assured Guaranty website.

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## **[States Take a More Measured Approach to ESG Mandates.](#)**

**There's great recognition—on both sides of the issue—that strict pro- and anti-environmental, social and governance investing strategies can lead to unintended costs and administrative challenges.**

State policymakers across the political spectrum have increasingly created rules and mandates targeting environmental, social and governance investment strategies in recent years. In 2024 alone, more than two dozen ESG bills have been introduced—some favorable to the concept but most oppositional—and six so far are now law.

ESG investment strategies have traditionally focused on the long-term impacts of investing in industries that could be economically, environmentally, or politically undesirable—with the bottom-line goal of limiting financial exposure to potential risks. In contrast, some state policymaker efforts around ESG have conflated this traditional use with what is known as impact investing, a strategy that aims to achieve certain social or environmental outcomes.

This year, for example, Idaho lawmakers joined those in more than a dozen other states, including Texas and Florida, in prohibiting government entities from doing business with certain companies that use ESG considerations in their investing approach. On the other end of the spectrum, Oregon's pension fund is planning to divest from coal after lawmakers enacted legislation as part of an effort to have a net-zero pension portfolio by 2050.

[Continue reading.](#)

### **Route Fifty**

By Fatima Yousofi, Liz Farmer and Stephanie Connolly

JULY 10, 2024

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## **[Active Bond ETFs Continue to See Record Inflows This Year.](#)**

More inflows into active bond ETFs during the month of June is following the overall trend of higher inflows since the start of the year. That said, it's an ideal time to get core exposure with the added flexibility of active management with a pair of Vanguard ETFs.

"Investors are shovelling cash into exchange traded funds that invest in a handpicked array of

bonds, with record inflows since January that are pushing the industry towards its first \$1tn annual haul,” the Financial Times reported. “Actively managed fixed-income ETFs took in \$7bn in June and have garnered \$41bn over the first half of 2024, surpassing 2023’s record of \$33bn for the entire year, according to data from State Street Global Advisors, the third-largest US ETF issuer.”

Yield is certainly a prime catalyst for the increased demand for bonds as investors are clamoring to lock in yields now before central banks start to cut interest rates. Additionally, active funds have been more competitive in terms of pricing compared to their passive counterparts.

[Continue reading.](#)

**advisorperspectives.com**

by Ben Hernandez of VettaFi, 7/14/24

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## **[BlackRock Counts on Jocular Ex-Trader to Boost Muni Business.](#)**

- **Pat Haskell needs to undo outflows in active muni mutual funds**
- **Ex-Morgan Stanley executive is known for market savvy, pranks**

Not long after Pat Haskell took over Morgan Stanley’s municipal-bond department in 2013, he handed out rubber bracelets with the letters “EFD.” He wanted his team to bring their best every f—ing day.

And it worked — during his tenure, the business rose in client rankings and found new ways to deliver revenue.

Today, Haskell is trying to fire up another group, this time as BlackRock Inc.’s head of municipal bonds. A key challenge facing the 52-year-old executive is how to reverse severe outflows from actively managed mutual funds after bouts of underperformance.

Investors have pulled roughly \$13.7 billion from those BlackRock muni funds on a net basis since 2020 and its market share has dropped, according to Morningstar Direct data. Although performance has improved in recent months, the outflows have continued.

[Continue reading.](#)

**Bloomberg Markets**

By Martin Z Braun

July 10, 2024

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## **[Muni Market Faces Early Credit Problems as Covid Aid Sunsets.](#)**

- **Analysts see revenue pressure slowing recent flow of upgrades**
- **Health care, higher-education sectors will face most stress**

Credit quality in the \$4 trillion municipal bond market is showing early signs of pressure as federal

pandemic aid winds down, spurring expectations that the rapid pace of rating upgrades over downgrades in recent years will ease.

Revenue growth is slowing, and in states such as California tax and fee collections are dropping. Rainy day funds are forecast to show declines after reaching record levels from strong economies and US stimulus money.

“Going into fiscal 2024, we were coming into all-time highs of reserve funds, and the economy had proven to be resilient,” Lisa Washburn, a managing director of Municipal Market Analytics, said in an interview. “If you look into fiscal 2025, you have draw down of reserves and softening of revenue growth.”

[Continue reading.](#)

## **Bloomberg Markets**

By Shruti Singh

July 10, 2024

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## **[Tax-Exempt Asset Demand 'Insatiable': Thornburg's Lando](#)**

Eve Lando, Thornburg Investment Management portfolio manager, discusses the state of the municipal bond underwriting business. Speaking on “Bloomberg The Close,” Lando says she sees “insatiable interest in anything tax-exempt.”

[Watch video.](#)

## **Bloomberg Markets**

July 11, 2024

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## **[Short-Dated Municipal Bonds Soar on Weak Inflation, Rate Cut Expectations.](#)**

- **Yields dropped as much as 8 basis points on Thursday**
- **Strong performance may help boost flows into municipal funds**

Short-dated municipal bonds posted their best day in five months after signs of slowing inflation fueled speculation the Federal Reserve will be able to cut rates as soon as September.

Shorter-dated securities extended a rally on Friday afternoon after state and local government bond yields dropped as much as 8 basis points on Thursday, further boosting prices. The biggest gains came at the front of the yield curve with top-rated benchmark bonds maturing in one and two years posting their best daily gains since early February.

“We’ve gone through several false starts in the first and second quarter, hence the market was going in a little cautious,” said James Pruskowski, chief investment officer at 16Rock Asset Management, referencing inflation data that had been stubborn until recently. “I think this seals the fate as the

Fed is laying the groundwork for a pivot.”

[Continue reading.](#)

## **Bloomberg Markets**

By Maggie Eastland and Danielle Moran

July 12, 2024

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## **Active Management Will Drive Muni Returns in 2024**

### **Municipal June update**

- Municipal bonds posted their strongest June performance since 2019.
- The asset class outperformed amid improving seasonal supply-and-demand dynamics.
- Looking ahead, July has historically been the strongest performing month of the year.

[Continue reading.](#)

by Patrick Haskell, James Schwartz, Sean Carney of BlackRock, 7/11/24

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## **These Bonds Offer Good Yields and Low Risk for Those Who Qualify.**

Like chocolate and peanut butter, a dovish Fed and narrower credit spreads are two great tastes that go great together in high-quality municipal bonds, where investors in the highest tax brackets can earn impressive income without sweating credit risk.

Muni bonds aren't for everyone. But for high-income investors, they provide sizable yields with lower risk than they could get elsewhere thanks to the magic of "tax equivalency." Muni bonds usually have lower yields than Treasuries, but because they are generally free from federal taxes, the yield has to be adjusted for the amount saved on taxes. The actual tax-equivalent yield of a muni bond can depend on an investor's tax bracket and state residence.

These days, the tax-equivalent yields for many muni bonds across the maturity spectrum are pushing 6%. That's better than investors can do not only in equivalent Treasury bonds, but in corporates and money-market funds as well.

[Continue reading.](#)

## **Barron's**

By Al Root

July 12, 2024,

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## [SIFMA US Municipal Bonds Statistics.](#)

SIFMA Research tracks issuance, trading, and outstanding data for the U.S. municipal bond market. Issuance data is broken out by bond type, bid type, capital type, tax type, coupon type and callable status and includes average maturity. Trading volume data shows total and average daily volume and has customer bought/customer sold/dealer trade breakouts. Outstanding data includes holders' statistics. Data is downloadable by monthly, quarterly and annual statistics including trend analysis.

YTD statistics include:

- Issuance (as of June) \$241.5 billion, +31.9% Y/Y
- Trading (as of June) \$13.0 billion ADV, +2.9% Y/Y
- Outstanding (as of 1Q24) \$4.1 trillion, +1.0% Y/Y

[Access the SIFMA report.](#)

July 1, 2024

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## [NASBO: States Finalize Fiscal 2025 Budgets](#)

As of July 3, 47 states have enacted a full-year budget for fiscal 2025. State fiscal conditions are continuing to return to a more normal budget environment in which new money is limited and revenue collections more closely align with expectations. According to [NASBO's Spring 2024 Fiscal Survey of States](#), state general fund spending in fiscal 2025 is expected to slow following three consecutive years of robust increases, which were driven in part by sizable one-time expenditures of surplus funds. States are projecting modest revenue gains in fiscal 2025 following two consecutive years of essentially flat revenue growth, and tax collections for fiscal 2024 are performing close to states' [revenue forecasts](#). While expenditure and revenue growth is expected to slow, a majority of governors are recommending further increases to rainy day funds. As states begin fiscal 2025, overall fiscal conditions remain strong as states invest in priorities, experience stable revenue outlooks, and maintain rainy day funds at or near all-time highs.

Thirty-four states, the territories, and the District of Columbia are enacting a new budget for fiscal 2025 (Kentucky, Virginia, and Wyoming are enacting a biennial budget for both fiscal 2025 and fiscal 2026). Last year, 16 states enacted biennial budgets covering both fiscal 2024 and fiscal 2025; in seven of those states, the governor released a supplemental or revised budget recommendation for fiscal 2025. Forty-six states begin their fiscal year on July 1 (New York begins its fiscal year on April 1, Texas on September 1, and Alabama and Michigan on October 1). Puerto Rico begins its fiscal year on July 1, while the District of Columbia, Guam, and the U.S. Virgin Islands begin their fiscal year on October 1.

Below is additional information on states that have yet to enact a full-year budget for fiscal 2025. Additionally, Table 12 of NASBO's [Budget Processes in the States](#) has information on procedures if no budget is enacted by the start of the fiscal year.

- **Massachusetts** - The legislature has yet to pass a budget for the full fiscal year; the governor signed a temporary budget for the month of July.
- **Michigan** - The legislature finalized the budget on June 27 and the governor is currently

reviewing the budget bills. Michigan's fiscal year does not begin until October 1.

- **Pennsylvania** - The legislature has yet to reach a budget agreement.

Please [click here](#) for links to proposed and enacted budgets, as well as prior budget summaries.

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## **[Munis Present \\$1.6 Billion Opportunity for E-Trading, BofA Says.](#)**

- **Only 14% of muni turnover is handled electronically, bank says**
- **It's about 60% for Treasuries, almost 40% for US IG bonds**

The municipal-bond market has been one of the slowest areas of the fixed-income universe to shift to electronic trading. But as Bank of America Corp. sees it, there's plenty of scope for that to change.

Electronic platforms have the potential to triple the share of turnover they handle in US state and city debt — from an estimated 14% now — reaping \$1.6 billion in annual revenue, analysts at Bank of America said in a report this month that assessed the prospects of e-trading in various bond categories.

### **Trading Velocity Increases Post-Electronification**

#### **Bank of America sees at least a three-fold increase upon hitting inflection**

There are [substantial hurdles](#) to electronification in the \$4 trillion muni market, which encompasses about 50,000 borrowing entities nationwide. There are also roughly a million outstanding muni securities, compared with 40,000 for US corporate bonds, according to the bank. There are substantial hurdles to electronification in the \$4 trillion muni market, which encompasses about 50,000 borrowing entities nationwide. There are also roughly a million outstanding muni securities, compared with 40,000 for US corporate bonds, according to the bank.

[Continue reading.](#)

### **Bloomberg Markets**

By Isabelle Lee

June 27, 2024

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## **[Forbes Special Report: Economic Drivers Of AI And The Municipal Bond Market](#)**

Presenting on the "AI and the Municipal Bond Market" panel for the [Council of Development Finance Agencies/BNY Mellon webcast series](#), I was asked why the market's adoption of technology

is now coming at such a blistering speed. After all, for years if not decades, the market had been resistant to technology or any sort of change, enjoying its status as boring, stodgy, clubby, and dull. Now the pace of technological change is stunning—with no signs of abating. If anything, it's increasing.

Certainly there are many reasons for this remarkable pivot. Technology across the board is better and faster. Advances in AI, faster chips, more code, better connectivity, data science breakthroughs, market professionals who grew up with laptops and cell phones—each building on the other. The market is experiencing a variant of Moore's Law on steroids. To add fuel to the fire, there is FOMO: fear of missing out. If your competitor has bigger, faster, better technology than you do, you risk falling hopelessly behind.

All valid and reasonable explanations, but not really getting to the core of answering the question.

[Continue reading.](#)

## **Forbes**

by Barnet Sherman, *Contributor*

July 2, 2024

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### **[Fitch Ratings Updates U.S. Public Finance Prepaid Energy Transaction Rating Criteria.](#)**

Fitch Ratings-New York/Austin-01 July 2024: Fitch Ratings has published the following report: "U.S. Public Finance Prepaid Energy Transaction Rating Criteria." This report updates and replaces the prior report published on June 13, 2023.

The primary revision to the criteria is a scope clarification to enable Fitch to assign and maintain ratings on underlying component obligations of prepaid energy transactions, including those related to the funding agreement. Fitch also clarified its definitions of payment force majeure, grace periods, and qualified investments.

The key criteria elements remain consistent with those of the prior report, and there is no impact on outstanding ratings. The previous version of the criteria has been retired.

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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## **[Stable but Slowing: State Revenues Start to Squeeze Policy Ambitions](#)**

**After years of rapid growth, states are starting to see revenue declines. Tax cuts red states enacted could become more costly in future years, while some blue states are debating tax increases.**

### **In Brief:**

- Total state revenues are stagnating, with overall declines in sales tax collections.
- The factors that fueled growth in recent years, notably federal aid, are no longer boosting treasuries.
- Given healthy reserves, the picture is not dire but policymakers have entered an age of tough choices if not austerity.

California has been facing a massive budget shortfall — estimates vary, but in the \$50 billion range — so it was not at all surprising that the spending package passed last month included serious cuts. The state will reduce its spending by about \$16 billion, including an 8 percent reduction in funding for almost all departments.

[Continue reading.](#)

[governing.com](http://governing.com)

July 5, 2024 • Alan Greenblatt

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## **[S&P U.S. Charter Schools Sector Fiscal 2023 Medians: Healthy Financial Metrics Amid Looming Fiscal Cliff](#)**

### **Key Takeaways**

- U.S. charter schools' median financial performance remained healthy in fiscal 2023, with stable-to-improving metrics across most measures relative to fiscal 2022.
- Median enrollment surged 7% to 1,175 from 1,098 in fiscal 2022, the largest annual growth rate our charter school universe has experienced in the past decade.
- California still leads the pack by number of rated schools, adding the most new ratings over the past year, followed by Florida.
- Elementary and Secondary School Emergency Relief (ESSER) funding, which is available to be spent through September 2024, continues to support solid financial performance, lease-adjusted MADS coverage, and liquidity levels.

[Continue reading.](#)

25 Jun, 2024



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## **Fitch: Tuition Growth Not Enough to Preserve Margins for U.S. Private Colleges**

Fitch Ratings-New York/Chicago-02 July 2024: The uphill battle continues for U.S. private colleges and universities despite an uptick in net tuition revenue growth with medians likely under intensifying pressure in the coming months, according to Fitch Ratings in its latest annual medians report for the sector.

Private U.S. colleges saw a return to net tuition revenue growth in fiscal 2023. “Looking ahead, additional operating pressure is expected through with many institutions grappling with elevated costs and a fractured enrollment environment,” said Senior Director Emily Wadhvani. This will likely result in more pressure on medians with adjusted operating margins falling to their lowest point in over a decade despite relatively steady investment returns and endowment support. “Cash flows and coverage are likely to face continued pressure, particularly emerging from an admission cycle fraught with FAFSA issues this spring casting concerns over fall enrollment expectations,” Wadhvani continued.

Working in the sector’s favor to help balance out negative stresses are still-strong balance sheets. Colleges are playing defense in controlling expenses where possible, evaluating sales or monetization of non-core assets, weighing partnerships versus ownership, and deferring maintenance. As a result, Fitch-calculated available fund levels held steady in fiscal 2023 against expenses and adjusted debt.

Leverage and liquidity medians returned to slightly better than pre-pandemic levels, a favorable development which will in time be tempered by still-narrow operating margins and hampered operating flexibility. “Limited increases in tuition will be insufficient to mitigate still-elevated operating costs, which over time will further widen the credit gap between larger, more selective institutions versus their smaller, less selective and more tuition-dependent counterparts,” affirms Wadhvani.

Fitch’s Fiscal 2023 Median Ratios for U.S. Not-for-Profit Private Colleges and Universities report is available at [www.fitchratings.com](http://www.fitchratings.com).

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## **A More Measured Approach as States Navigate ‘Environmental, Social, and Governance’ Mandates.**

**Unexpected costs and implementation challenges for the investment policies prompt a 2024 shift**

State policymakers across the political spectrum have increasingly created rules and mandates targeting environmental, social, and governance (ESG) investment strategies in recent years. In 2024 alone, more than two dozen ESG bills have been introduced—some favorable to the concept but most oppositional—and six so far are now law.

ESG investment strategies have traditionally focused on the long-term impacts of investing in industries that could be economically, environmentally, or politically undesirable—with the bottom-line goal of limiting financial exposure to potential risks. In contrast, some state policymaker efforts around ESG have conflated this traditional use with what is known as impact investing, a strategy that aims to achieve certain social or environmental outcomes.

This year, for example, Idaho lawmakers joined those in more than a dozen other states, including Texas and Florida, in prohibiting government entities from doing business with certain companies that use ESG considerations in their investing approach. On the other end of the spectrum, Oregon's pension fund is planning to divest from coal after lawmakers enacted legislation as part of an effort to have a net-zero pension portfolio by 2050.

[Continue reading.](#)

## **The Pew Charitable Trusts**

By: Fatima Yousofi, Liz Farmer & Stephanie Connolly

June 27, 2024

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## **Is It Time to Dig Into Rainy Day Funds?**

**Despite reserves bulging and revenue receding, state legislators and governors are reluctant to spend savings.**

After years of strong revenue growth, states nationwide have greatly increased their savings—rainy day fund balances are at record levels relative to state spending in 22 states. But revenues are declining and legislators and governors in several states are asking whether this is the right time to withdraw money from their rainy day funds.

These funds are reserve accounts in which states save money in good years to help balance their budgets in bad ones. Budget experts, including credit rating agencies, recommend using the reserves to limit painful service cuts or tax increases when states face budget shortfalls caused by temporary events such as recessions or natural disasters. But rainy day funds are not well suited for helping states close shortfalls caused by structural imbalances in which ongoing spending chronically exceeds ongoing revenue.

Although this maxim is easy to understand in theory—use the rainy day fund for temporary shortfalls, not structural ones—applying it can be more difficult. It's not always obvious where and when temporary problems end and structural problems begin. Furthermore, rainy day funds have grown so much that some policymakers have begun to wonder whether their savings are larger than necessary. Some states continue to increase savings by raising caps on reserve funds or appropriating dollars to emergency funds, but others have started to discuss spending down rainy day funds even in the absence of a shortfall.

[Continue reading.](#)

## **Route Fifty**

By Josh Goodman, John Hamman and Sariah Toze

JUNE 26, 2024

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### **[Why Muni Mega-Deals Are Smashing Records.](#)**

Dan Close, Nuveen's head of municipals, says borrowing costs, infrastructure demand and the US presidential election are driving mega-deals in the municipal bond market. Speaking on "Bloomberg The Close," Close also comments on the anticipated demand for MTA muni bonds.

[Watch video.](#)

## **Bloomberg Television**

Jun 26, 2024

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### **[Measuring Economic Impact Is a Win-Win for Developers and Municipalities.](#)**

Introduction: At a time when financing for hospitality development projects is challenging for developers, it can often mean that some projects won't ever come to fruition. At the same time, municipalities would like to increase their hotel or resort offerings to attract travelers to their destinations while remaining fiscally responsible. When developers seek government assistance for development projects, state and local authorities must balance the needs of developers in the community with the financial realities of the project. Commissioning an economic impact study will provide important data for stakeholders to understand the economic benefits of a project and assess its desirability and its overall economic impact on the local or regional economy. The case study presented in this report shows the occupancy impact that Kalahari Resorts has caused in the markets where they have been developed in Ohio, Pennsylvania, and Texas over the past 20 years. The statistical data shows strong positive growth in market occupancy levels caused by the addition of these themed resorts with high room counts and multiple attractions. An economic impact study can similarly provide developers and government representatives with financial information to forecast the economic impact of a proposed development.

#### **PURPOSE OF ECONOMIC IMPACT STUDY**

An economic impact study estimates the total benefits of a project, including tax revenues, employment changes, additional spending impacts during the construction and operational phases, revenues from increased commercial activity and tourism, and other changes in the community. It will also measure the impact on other local businesses in the area that may benefit from a new hospitality property. The results of this study are often used to calculate financial incentives that municipalities are willing to offer a development project based on the projected impact on the local economy. In addition, the study can also be used to demonstrate benefits that may persuade communities to support a project.

Resources: H&LA utilizes the following resources when preparing economic impact studies:

[Continue reading.](#)

## **hospitality.net**

By David J. Sangree

*MAI, CPA, ISHC, is President of Hotel & Leisure Advisors*

3 July 2024

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## **[The Biggest Challenge in Public Finance May Not Be Money.](#)**

**Workforce shortages are affecting many areas of government, but public finance is particularly hard hit. Shortages of accountants are a severe problem, with too few candidates replacing aging employees.**

### **In Brief:**

- The public finance workforce is still below pre-pandemic numbers. A third of the existing workforce is eyeing retirement.
- Recruitment is a challenge, with college students deterred by barriers to entry including lengthy licensing requirements and subpar pay.
- Possible solutions include more financial aid and a streamlined hiring process.

By now, problems with workforce shortages are pretty familiar, but here's a specialized area you might not have thought about: The nation is in the middle of a shortage of accountants that's only going to get worse.

[Continue reading.](#)

## **governing.com**

July 3, 2024 • Zina Hutton

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## **[Muni Sales Surge to Record \\$236 Billion in Pre-Election Rush.](#)**

- **Municipalities sold \$236 billion of bonds since January**
- **The deal growth has led some banks to upsize their forecasts**

A surge in borrowing pushed municipal deal flow to the fastest start to the year on record after states and cities seized on more stable interest rates to flood the market.

Municipalities sold \$236 billion of debt since January, the highest for the first half ever, according to data compiled by Bloomberg which dates back decades. The surge represents roughly 38% more than the same period last year.

Chris Brigati, director of strategic planning at SWBC, pointed to three drivers of supply in the first

half: pent-up demand from lighter issuance last year, a bevy of infrastructure borrowing needs as stimulus funding wanes, and a rush by issuers to come to market before the US presidential election in November.

[Continue reading.](#)

## **Bloomberg Markets**

By Maggie Eastland and Nic Querolo

July 1, 2024

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### **Munis Poised to Outpace Treasuries in Best Month Since December.**

- **June gain of 1.5% for munis compares with 1.4% for Treasuries**
- **State, city debt pares 2024 loss amid strong seasonal period**

The municipal-bond market is on track to slightly outpace Treasuries this month, benefiting from a broad fixed-income rally and a period that is typically strong for US state and city debt.

Munis are up 1.5% in June as of Thursday's close, compared with 1.4% for US government debt, according to Bloomberg index data. Bonds have rallied this month as signs of cooling inflation supported bets that the Federal Reserve will lower interest rates this year. Both munis and Treasuries are still down a bit more than 0.4% in 2024.

For munis, it's set to be the best June since 2016. This month is often the beginning of a mid-year stretch where demand outstrips supply as investors recycle cash from calls and redemptions back into munis while issuers tend to sell less debt.

[Continue reading.](#)

## **Bloomberg Markets**

By Maggie Eastland and Maxwell Adler

June 28, 2024

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### **Bittersweet Farewell Joe Mysak: Masters of the Muniverse**

A lot has changed in the world of munis over the past 40 years, but don't take our word for it. Joining hosts Eric Kazatsky and Karen Altamirano on the June edition of Masters of the Muniverse is Joe Mysak from Bloomberg News, retiring this month after 40-plus years of covering public finance. In this month's episode, we discuss Joe's storied career at Bloomberg, how the muni market has changed and what to expect for the second half of the year. To help us bid him farewell, we are also joined by a few special guests.

[Listen to audio.](#)

## **How Can Investors Benefit from Recent Muni Trends?**

June's declining yields have pushed investment-grade munis into positive territory for the year, with the yield curve showing signs of normalization. Despite rich valuations relative to Treasuries, high-quality long-duration bonds remain attractive, especially for investors in high-tax states.

### **June gains brings muni returns into positive territory**

On a year-to-date (YTD) basis, IG munis are now posting a gain of 0.1%, helped by declining yields in June. Over the past month the 2s10s on AAA muni curve has continued to steepen while the 10s30s flattened some more. The shape of the curve continues to normalize, although the 2s10s portion remains inverted. Despite softening yields, the long end still looks attractive to us given our lower rate outlook by year-end. Valuation continues to skew rich with the 10-year muni, as the Treasury ratio is now at 66%, compared to its three-year average of 72%. However, taxequivalent yields on high-quality bonds, particularly in high tax states such as New York and California, remain attractive from a long-term investment perspective.

### **Outlook**

Lower inflation and favorable summer technicals, powered by heavy bond redemptions, should help near-term performance, albeit tempered by strong supply and still rich valuations relative to Treasuries. The municipal credit outlook remains stable given our expectation of a soft landing. A and BBB spreads remain tight relative to historical levels. We continue to favor long duration high-quality bonds.

As the Presidential election draws near and the politics of fiscal deficits and national debt assume more prominence, we expect more headlines about the federal tax exemption on municipal bonds being at risk of elimination. However, despite the heightened focus, we believe the municipal tax exemption will remain, albeit with some potential limited modifications. Finally, hurricane season is upon us. Given the rising frequency and cost of weather-related events, we encourage investors to consider physical climate risk factors when building a balanced and diversified municipal bond portfolio by state and sector, avoiding home state bias.

### **RECOMMENDATIONS AND PREFERENCES**

- **Take advantage ahead of the redemption season and increased supply:** In the near term, we continue to see an opportunity to place assets into the muni market ahead of a heavy wave of seasonal bond redemptions expected this summer. Robust supply might temper performance but also helps investors with a wider choice of bonds in which to invest.
- **Lock-in high taxable equivalent yields (TEYs):**TEYs on longer-dated munis of around 7.5% for investors in top tax brackets in New York and California are particularly attractive.
- **Curve positioning:** We favor longer-dated high-quality bonds for a more durable source of income with capital gains potential. Investors could also consider some smaller allocations to the short end to create barbell portfolios and the intermediate portion of the curve to take advantage of recent steepening of the 2s10s.
- **Credit quality and sectors:** Given relatively tight spreads on lower-rated bonds we see better value

in higher-quality issuers.

**by UBS Editorial Team**

02 Jul 2024

Main contributor: Sudip Mukherjee

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## **[Markup or Markdown: National Underwriters' Exit and the Changing Landscape of Municipal Finance](#)**

### **Abstract**

Both the increased transparency and the institutionalization of the municipal bond market have led to dramatic declines in the profits of underwriters, especially so for those whose underwriting activity is national in scope. Using comprehensive data on all trades, all bonds, and all underwriting spreads available between 2005 and 2023, we show that underwriters facing increasingly informed investors in the primary market are unable to capture high markups from investors but are also unable to raise costs to issuers. Using a structural model to examine trading, we document underwriters are half as likely over the time span of our sample to encounter an uninformed retail investor when selling an issue, and the markups they can charge these dwindling investors have fallen by a third. Increased transparency has not benefited issuers but has led to a decline in profitability for the largest municipal underwriters, several of whom have announced their departure from the market.

[Read the Paper.](#)

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## **[Citigroup, UBS Exit Munis After Market's Profits Plummet by 50%.](#)**

- **New research shows underwriter profit drop from 2005 to 2023**
- **Underwriters less able to raise investor markups, issuer costs**

Making money in the \$4 trillion municipal bond market is harder than ever after a two-decade long drop in underwriting markups pinched bottom lines, contributing to pullback by major Wall Street firms such as Citigroup Inc. and UBS Group AG.

Profits for municipal underwriters fell by 30% to 50% from 2005 to 2023, according to a [report](#) to be presented next month at the [Brookings Institution's municipal finance conference](#).

Researchers analyzed more than 2 million state and local bonds and markups on 12.4 million new issue trades. They found a wider pool of institutional investors and improvements in disclosure have compressed underwriting spreads, or the profit banks make marketing bonds to buyers. They also found that the squeeze was more acute for national underwriters.

[Continue reading.](#)

**Bloomberg Markets**

By Shruti Singh and Skylar Woodhouse

June 21, 2024

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## **Fitch-Rated U.S. Water and Sewer Utilities Resilient to Cyber Risks.**

Fitch Ratings-New York/Austin-18 June 2024: Cyber risk looms large for the water and sewer utility sector as a whole, but may not be as consequential for our rated portfolio, which is composed mostly of larger, highly-rated utilities that are well positioned with robust financial profiles and experienced management to address the risks and regulatory requirements, says Fitch Ratings. The median rating for our rated portfolio is 'AA+', with about 89% of the portfolio on Stable Rating Outlook and around 7% on Positive.

Water and sewer utilities are vulnerable to cyber breaches given their use of a number of complex and diverse operating and technology systems that make it challenging to guard against attacks. This risk is particularly acute for small systems with thin margins and limited staff. To date, however, none of the water and sewer systems rated by Fitch have been subject to negative rating action as a result of a cyber breach.

Fitch's criteria consider event risks such as cyber-attacks as asymmetric additive risks, where the focus is on the robustness of governance systems and protocols to counteract or mitigate the threat, and the utility management's reaction if an attack occurs.

Fitch may take negative rating action if a utility's financial profile is deemed to be materially impaired in the aftermath of a breach. Expenses associated with a cyber breach, including remediation and enhanced security measures, along with increased cybersecurity insurance premiums, legal costs and staffing and regulatory compliance expenses, could add to a utility's operating costs, erode liquidity and decrease funds available for debt service. Unexpected borrowing to bolster cybersecurity infrastructure, including updating compromised hardware and software systems, may further weaken leverage metrics.

A cyberattack that affects a utility's ability to provide service and/or hinders customer billing could temporarily reduce revenue generation for the system. Depending on the extent of the disruption, Fitch's assessment of the utility's revenue defensibility could be lowered.

A cyber breach could compound expense pressures for water utilities already facing greater demands on their budgets from inflation, aging infrastructure and EPA mandates to replace lead service lines and remove/reduce per- and polyfluoroalkyl substances from drinking water. To address increased expenses, utilities often raise rates, which, if further increased to recover cyber costs, could erode rate affordability.

The level of cyber risk among water utilities varies significantly against a backdrop of little federal or state regulation relative to the public power sector. Water and wastewater utilities would be obligated to report cyber incidents and ransomware payments to the Cybersecurity and Infrastructure Security Agency according to proposed rules issued on April 4, 2024. Public comment for these rules ends on July 3. In addition, a bill introduced in the House in April would create a Water Risk and Resiliency Organization to develop and enforce cyber risk and resiliency requirements for water treatment and wastewater systems.

The trend towards smart infrastructure and the Internet of Things means that more water utility



components are connected to the internet. This connectivity increases efficiency but also expands the attack surface. The use of homogenous operational technology (OT) across processes/systems also increases risk. Once hackers can exploit vulnerabilities in a certain system, they can often apply those techniques to other systems with the same OT.

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## **[Fitch: Healthy Tailwinds for U.S. Transportation Going Into Summer Travel Season](#)**

Fitch Ratings-New York-17 June 2024: A firmer-than-expected macro environment is set to anchor positive performance for U.S. transportation segments headed into 2H24, Fitch Ratings says in a new report, although there are still pockets of underperformance.

‘Resilient activity performance is providing healthy tailwinds for airports, toll roads and ports,’ said Senior Director Seth Lehman. ‘Early indicators across all modes of transportation should keep fiscal positions stable through the end of 2024.’ That said, not all segments will see quite the same trajectory.

The broadest disparity seems to be emanating from U.S. airports. Passenger traffic overall is up over 6% year-over-year with travel demand looking robust headed into the summer. However, several west coast large market airports are still struggling to get back to pre-pandemic activity.

Overall port volumes have risen 14%. U.S. west coast ports are realizing sizable throughput increases while ports in the east and gulf coasts are seeing improved performance. Amid ports’ continued stable financial performance lie some risks that warrant caution, among them an elevated cost environment that could pressure operating, capital, and financing costs.

Toll roads appear to be on the most stable ground overall. Vehicle miles traveled increased by 1% year-over-year in January-April with low-single-digit traffic growth likely for the rest of the year. Toll roads in southern U.S. states continue to benefit from higher population growth than in the northeast.

‘North American Transportation Infrastructure Mid-Year Outlook 2024’ is available at [www.fitchratings.com](http://www.fitchratings.com)

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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## [S&P U.S. Transportation Infrastructure Airport Update: Air Travel Rides The Jetstream, For Now](#)

### Key Takeaways

- Our sector view for airports remains stable.
- Revenue growth remains balanced against increased operations and maintenance expenses, particularly labor and materials costs, as well as renewed capital spending for expanding capacity or modernizing facilities against a backdrop of higher financing costs.
- Our economic outlook projects a transition to slower growth in 2025 and beyond, which could translate into softening airline travel for business and leisure passengers but we expect would have a benign impact on airport credit.

### Most U.S. Airports' Credit Quality Comparable With Or Better Than Pre-Pandemic Level

Following a very turbulent period in aviation history during 2020-2021, U.S. air travel demand has fully recovered for most airport operators—and performance has even exceeded pre-pandemic levels for some—allowing management to return its focus to the future. This recovery and other factors have contributed to issuer upgrades for approximately 27% of S&P Global Ratings' airport ratings. For 2024, inflation-related expense growth, a ramp-up in annual capital improvement spending, or weaker-than-forecast U.S. economic growth could lead to weaker financial results—including debt service coverage (DSC)—but likely not enough to affect airport credit quality. Any potential drag on air travel demand caused by inflation and economic weakness will be relatively benign and short-lived, in our view, as remaining federal operating assistance is exhausted and management teams navigate through any slowing demand with improved balance sheets, cost recovery arrangements, and activity-based revenue performance. Median DSC in 2023 and 2024 could dip below the 1.5x that we observed in 2022, with rising annual debt service.

[Continue reading.](#)

18 Jun, 2024

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## [When \\$20 Billion Isn't Enough: Water Infrastructure](#)

**States are spending about \$20 billion of the flexible funding from the American Rescue Plan Act on water infrastructure. Demand is expected to grow in coming years.**

### In Brief:

- States are spending \$20 billion of the State and Local Fiscal Recovery Funds included in the American Rescue Plan Act on water infrastructure.
- Overall federal funding for clean drinking water systems has shrunk dramatically, from 63 percent of capital improvements in 1977 to 9 percent 40 years later.
- States in the West and the Southeast are spending the most ARPA money on water, anticipating population growth and climate change, while seeking to address inequities.

[Continue reading.](#)

**governing.com**

## **[New DOJ Accessibility Rule for Gov. Websites and Apps, Third-Party Providers of Online Services: Hogan Lovells](#)**

On June 24, 2024, a new DOJ rule will go into effect requiring state and local entities and their private contractors to comply with WCAG 2.1 AA digital accessibility standards for web content and mobile apps made available to the public.

The Americans with Disabilities Act (“ADA”) provides that no individual may be barred from accessing the services, programs, or activities of a public entity due to the individual’s disability. As local governments increasingly rely on Internet-based content and apps to disseminate information and provide services to the public, the Department of Justice (“DOJ”) published a new rule establishing specific requirements for state and local governments to make their web content and mobile apps accessible for individuals with disabilities. Despite previously issuing general guidance on digital accessibility, this rule will be the first binding regulation issued by the DOJ to address state and local government regarding website accessibility since the statute was passed in 1990.

The rule applies to any web content or mobile apps used by a public entity to provide services, programs, and activities. For the purposes of the new rule, “web content” refers to “any information and sensory experience” on the web communicated through a web browser, media player, plug-in, or other software that helps a user interact with online content. This includes text, images, sounds, videos, controls, animations, and conventional electronic documents, regardless of whether the content is viewed on a desktop computer, smartphone, or other medium. A “mobile app” is defined as software that is downloadable and designed to be used on mobile devices such as smartphones and tablets.

[Continue reading.](#)

**Hogan Lovells** – Mark Brennan, Katy Milner and Warren Alexander Kessler

June 18 2024

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## **[State Bond Banks, the Best Kept Secret in Infrastructure Finance, Need a Bigger Role in Rebuilding America.](#)**

It’s been a historic few years for federal investment in American infrastructure and the built environment. The combined heft of the Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and the capital-eligible parts of the American Rescue Plan Act (ARPA) will commit well over a trillion dollars in federal government contributions to the physical reconstruction and modernization of America.

Yet, with all the big news out of federal Washington, it’s easy to lose sight of who does most of the investing in American infrastructure and other fixed assets owned by the public: states and localities. The IIJA, for example, is likely to average about \$170 billion in spending per year across all its programs. This compares with \$300 billion in new infrastructure spending financed by the \$4 trillion municipal bond market in 2023 alone.

Since the bulk of the IIJA and IRA move through either established state formula programs or private industry, both laws also fail to reach every community or qualify many of their non-traditional infrastructure assets for investment, such as renovated schools and recreation facilities. Even after ARPA's local investment programs—of which most of the dollars are now committed—the unmet needs are still substantial. Aging schools alone are estimated to need \$85 billion of investment annually.

[Continue reading.](#)

## **The Brookings Institution**

Michael Gaughan and Adie Tomer

June 20, 2024

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### **[The Multibillion-Dollar Implications of EVs for State Budgets.](#)**

**It's not just the decline in fuel tax revenues and its impact on highway construction and maintenance. Real estate will also be affected, and sales taxes are likely to take a hit. States need to begin developing strategies.**

America's transition to electric vehicles promises clear benefits for the environment and human health. And with an aggressive ramp-up of EV car and truck manufacturing and its associated domestic supply chain, the nation has the opportunity to remain economically competitive with China and the European Union.

This is great news, of course, but states must quickly develop new transportation funding strategies to make up for declining fuel tax revenue or we will face a significant national challenge.

Federal and state fuel taxes are the main source of highway and road funding, and the Congressional Budget Office projects that balances in both the highway and transit accounts of the federal Highway Trust Fund will be exhausted by 2028. The decline of fuel-tax revenues resulting from EVs never needing to visit a gas pump will further diminish state and local governments' ability to maintain our deteriorating network of roads, highways and bridges. At the same time, governments will be faced with increased expenditures due to aging road infrastructure that is threatened by extreme weather events.

[Continue reading.](#)

GOVERNING.COM

June 20, 2024 • Jay Golden, Syracuse University

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### **[Unlocking Equity-Like Returns with Municipal Bonds.](#)**

Thanks to the Fed's tightening and subsequent pause, there are a lot of good places for investors to find income within the bond market these days. From junk to Treasury bonds, yields are on par with numbers not seen since the Great Recession. But very few places in the fixed income landscape can

provide equity-like returns without the same level of risk.

One of them happens to be municipal bonds.

Ever since the Fed's rate hikes, munis have provided very strong after-tax yields. And now those yields are almost equity-like in terms of returns. For investors, it's just another reason to add municipal bonds to their fixed income sleeves.

[Continue reading.](#)

**dividend.com**

by Aaron Levitt

Jun 19, 2024

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## **Defined Maturity ETFs: A Robust Solution For Fixed-Income Investors**

One of the most aggressive interest rate hiking cycles in U.S. history has a way of getting people's attention.

From March 2022 to July 2023, the Federal Open Market Committee aggressively lifted the federal funds target rate by a whopping 5.25%. Combating inflation was and continues to be the focus. However, many conservative fixed-income investors instantly became unintended collateral damage.

Many broadly diversified index ETFs such the Vanguard Total Bond Market ETF (BND) fell by a staggering amount for conservative bond investors accustomed to an era of low volatility. In case you forgot, BND fell more than 16% and has yet to recapture its 2022 level.

What went wrong?

BND, like many plain vanilla index ETFs, is drenched with duration risk. And when interest rates are skyrocketing, these types of seemingly conservative bond ETFs are going to behave in a not so conservative manner by falling sharply, as history has proven.

As such, the ETF industry's solution to the problem is something called "defined maturity" bond funds.

The benefit of this approach is that advisors can execute bond laddering in an ETF wrapper. Defined maturity bond ETFs hold a portfolio of bonds that all mature in the same year, which is known as the fund's "target maturity year."

One of the oldest iterations of this hyper-focused maturity bond ETF are the BulletShares lineup from Invesco. The company offers target maturity funds for corporate and municipal bonds covering 2024 to 2033. BlackRock also offers its version of defined maturity bond funds within its iShares lineup.

With under \$35 billion in assets, defined maturity bond ETFs are still tiny compared to other ETF categories.

Unlike traditional bond funds that continuously buy and sell bonds to maintain a diversified portfolio

indefinitely, single-year bond ETFs have a fixed termination date. The bonds held inside the ETF are held until they mature, according to a specific year. When the bonds finally hit maturity, the fund will liquidate and return the principal to the shareholders.

Defined maturity ETFs are arguably a better, easier way to manage interest rate risk because the impact of fluctuating rates has muted impact on bonds nearing redemption. This can help make an investor's bond portfolio less volatile.

Diversification is another big advantage.

Laddering bonds from single corporations or municipalities might help to navigate rate risk, but it unfortunately concentrates a bond investor's credit risk with single issuers. An unexpected credit event or default could quickly cause unwanted damage.

In contrast, a defined maturity bond ETF typically invests in a diversified basket of bonds, which might include corporate, municipal or government bonds, all with maturities aligning with the fund's target year. This provides broader, diversified bond exposure in a single fund, while still maintaining a specific maturity date.

How might advisors deploy these types of ETFs?

One potential solution is they can be used as part of a bond laddering strategy. This is accomplished by investing in several different ETFs with staggered maturity dates to provide regular income over several years. Another solution is to use them for targeting specific financial goals that align with the fund's maturity date, like a planned retirement or paying for college education.

In the end, single-year bond ETFs offer a unique combination of predictable maturities, regular income and a robust fixed income strategy less credit and interest rate risk.

FA-MAG.COM

JUNE 18, 2024 • RON DELEGGE

*Ron DeLegge II is the founder of [ETFguide.com](http://ETFguide.com) and author of several books, including *Habits of the Investing Greats* and *Portfolio Architecture: A Handbook for Investors*.*

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## **[Active Management Could Be Beneficial in Muni Bond Rebound.](#)**

As measured by the widely followed ICE AMT-Free US National Municipal Index, muni bonds are sporting modest losses over the past month and on a year-to-date basis.

However, it's not all bad news when it comes to municipal debt. Yields remain elevated on asset classes typically not known for big yields though prized by risk-averse income investors. Economic conditions are supportive of this corner of the bond market and defaults are low.

Add to that, there signs active management could serve investors well in this fixed income segment. For example, the ALPS Intermediate Municipal Bond ETF (MNBD) traded slightly higher over the past month and has noticeably outpaced the ICE AMT-Free US National Municipal Index since the start of 2024. Those aren't guarantees MNBD will outperform from here. But those encouraging traits could provide the foundation for leadership when munis rebound.

## Mind MNBD for Muni Bonds Exposure

One potential advantage offered by active management when it comes to municipal debt is that active managers can more readily identify value in this bond segment. For advisors and investors considering MNBD, that's a pertinent trait because some experts believe that following recent retrenchment in the broader muni bond arena, there is value to be had.

"The sell-off has started to restore value to the asset class, but there are several reasons why patience is still warranted. First, while much improved, valuations are still below their longer-term averages," according to BlackRock research.

MNBD, which turned two years old in May, could benefit from other tailwinds. Those include expectations that muni supply will increase as Election Day approaches and the point that in preparation of volatility that could hit risk assets on the back of election results, some asset allocators may lean into more conservative asset classes.

"We think issuance will remain elevated ahead of the election and negate some of the tailwind typically provided by seasonal net negative supply during the summer," added BlackRock. "Finally, we expect demand to remain subdued until the path of monetary policy becomes clearer and interest rates stabilize. Given this backdrop, we have started to selectively add duration, taking advantage of concessions in the new issue market."

The asset manager also noted a preference for, among other traits, munis issued in states that are more reliant on consumption taxes. That's applicable to MNBD because many of the bonds held by the ETF hail from states or cities in states with low or no income taxes.

ETFTRENDS.COM

by TODD SHRIBER

JUNE 18, 2024

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## **[Municipal CUSIP Request Volumes Rise in May.](#)**

NORWALK, Conn., June 13, 2024 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for May 2024. The report, which tracks the issuance of new security identifiers as an early indicator of debt and capital markets activity over the next quarter, found a fourth-consecutive monthly increase in request volume for new municipal identifiers, while corporate volumes were steady overall.

North American corporate requests totaled 7,362 in May, which is down 3.2% on a monthly basis. On a year-over-year basis, North American corporate requests closed the month up 10.2%. The monthly volume decline was driven by a decrease in issuance volume for medium term notes. Other key asset classes, such as U.S. corporate equity (13.5%), U.S. corporate debt (17.8%) and Canadian corporate securities (17.9%) all saw monthly request volume increases.

The aggregate total of identifier requests for new municipal securities - including municipal bonds, long-term and short-term notes, and commercial paper - rose 51.5% versus April totals. On a year-over-year basis, overall municipal volumes are up 8.4%. Texas led state-level municipal request volume with a total of 143 new CUSIP requests in May, followed by New York (102) and California (90).

“New issuance activity in the municipals space has been consistently high for the past four months, but we saw a major surge in the May data,” said Gerard Faulkner, Director of Operations for CGS. “Similarly in the corporate asset classes, we see pockets of high volume in U.S. corporate debt and equity, Canadian corporates and certificates of deposit, all of which points to issuers finding opportunity to bring new securities to market in the current economic cycle.”

Requests for international equity CUSIPs rose 5.1% in May and international debt CUSIP requests rose 19.0%. On an annualized basis, international equity CUSIP requests are down 4.4% and international debt CUSIP requests are up 106.5%.

To view the full CUSIP Issuance Trends report for May, please [click here](#).

## **CUSIP Global Services**

Thu, Jun 13, 2024

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### **[From Harvard to Wisconsin, Muni Issuers Jump on Buyback Wave.](#)**

- **Refinancing tactic thrives after high rates, tax law shift**
- **Chicago, Wisconsin are users of common corporate strategy**

When Harvard University offered to buy back more than \$400 million of its debt in a tender offer in March, it signaled again just how much the strategy is gaining acceptance among municipal-bon-market borrowers looking for ways to reduce debt costs.

The school on March 22 invited holders of certain 2016 debt to redeem them as part of a bigger sale via the Massachusetts Development Finance Agency, some of which was used to pay for the buyback. Almost \$335 million in debt was retired at above-market prices, according to a securities filing.

“Unique market conditions this spring created a window of opportunity to refinance Harvard’s existing debt through a tender offer,” Jason Newton, the school’s director of media relations, said in an email. “These cost savings directly benefit the University’s teaching and research mission.”

States, cities and other issuers offered to repurchase about \$30 billion in muni bonds last year, and are on track for a similar amount in 2024, according to an assessment from Barclays PLC. While the bank estimates that less than half that was successfully repurchased, market participants expect such buybacks to rise amid higher interest rates and changes to tax law that eliminated other refinancing moves.

“Tenders are another tool in a debt manager’s toolbox,” said Aaron Heintz, capital finance director for the state of Wisconsin, which has offered tenders every year since 2022. “We have been able to generate significant debt service savings.”

In a tender, an issuer offers to purchase bonds at a specific price on a certain date. The price is usually above the current market value but still low enough that the issuer can realize savings in retiring the debt.

Companies often employ tenders to buy back high-cost debt or as a defense against a takeover by repurchasing shares. Their occasional use in the \$4 trillion muni market increased when the 2017



Tax Cuts and Jobs Act pulled the tax breaks from bond sales used in another type of refinancing, known as an advanced refunding.

But the municipal tender offers really took off when the Federal Reserve started raising rates two years ago, erasing any advantage of using advanced refundings even for taxable bonds.

In 2023, state and local issuers marketed roughly three dozen tender offers, according to Globic Advisors, the agent for many of the deals. That was more than double the number from a year earlier, based on deals represented by Globic.

Muni investors this year already have received at least two dozen such buyback offers, Globic President Robert Stevens said. The Texas Transportation Commission was among those who extended them, while the city of Chicago had a tender in 2023.

### **Wisconsin Savings**

Holdings of Wisconsin bonds in the last three years tendered from 13% to a high of 84% of the debt in an individual offer. Among the debt the state sought to buy back was several taxable advance refunding bonds issued from 2020 through 2022, Heintz said.

“Who would have thought that you’d be able to generate savings on taxable bonds that have coupons less than 3%,” he said.

Investors and underwriters say they anticipate more muni tender offers, barring an unanticipated sharp decline in interest rates.

“Everyone is asking about tenders,” said Samantha Costanzo, senior managing director and head of public finance at Huntington National Bank.

“The volume increases for tax exempt tenders are largely being driven by an issuer’s desire for cost savings, combined with the markets becoming more comfortable with the process over the last few years,” said James D’Arcy, senior portfolio manager at Vanguard Group. “The decision to tender is primarily based upon how much of a premium relative to current market prices the issuer is willing to pay the investor, as well as the reinvestment opportunities in the market.”

Thornburg Investment Management, which holds about \$6 billion in muni assets, has received about 20 tender offers since the beginning of 2023, said Eve Lando, a portfolio manager and managing director. Thornburg has sold back bonds at higher prices than those available in the secondary market, she said.

Credit concerns or the need to get out of an “illiquid name” could also drive future decisions, Lando said.

### **Bloomberg Markets**

By Shruti Singh

June 13, 2024

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## [S&P U.S. Public Finance Annual Reviews Processed.](#)

**This publication does not constitute a rating action.**

S&P Global Ratings has performed annual reviews of the credit ratings of the issuers/issues listed below.

In an annual review, S&P Global Ratings reviews current credit ratings against the latest issuers/issues performance data as well as any recent market developments. Annual reviews may, depending on their outcome, result in a referral of a credit rating for a committee review, which may result in a credit rating action. The below list is not an indication of whether or not a credit rating action is likely in the near future.

The key elements underlying the credit rating can be found in the issuer's latest related publication, which can be accessed by clicking on links below. Additionally, for each issuers/issues listed below, S&P Global Rating's regulatory disclosures (PCRs) can be accessed on the relevant page on [www.spglobal.com/ratings](http://www.spglobal.com/ratings) by clicking on Regulatory Disclosures underneath the current credit ratings.

[Continue reading.](#)

14-Jun-2024 | 07:00 EDT

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## [S&P: Rating Changes Of 25 Major U.S. Cities Since 2000](#)

[View the Rating Changes.](#)

6 Jun, 2024

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## [WSJ: Puerto Rico Bondholders Win Back Rights to Electricity Revenues](#)

**An appellate court restored bondholders' lien on electric-utility revenues**

A federal appeals court said Puerto Rico bondholders have collateral rights over revenue generated by its bankrupt public power utility, a ruling that could delay and possibly upend a planned \$10 billion debt restructuring.

The U.S. Court of Appeals for the First Circuit in Boston restored bondholders' lien over past and future electricity revenues in Puerto Rico and reversed a lower-court ruling that had [sharply limited](#) their rights to repayment.

Wednesday's decision marks a win for GoldenTree Asset Management and other bondholders seeking repayment from the Puerto Rico Electric Power Authority, the government-owned power utility. Prepa has been in bankruptcy since 2017, when the U.S. territory stopped paying its debts and triggered the largest-ever default by a U.S. municipality.

Officials have reached settlement deals in recent years with holders of most of Puerto Rico's municipal bonds, leaving Prepa as the last public agency still under court protection. It proposed a

restructuring plan last year to slash nearly \$8.5 billion owed to its municipal bondholders—its largest single debt—by nearly \$7 billion.

Prepa's plan will be re-evaluated in response to Wednesday's ruling, which found bondholders have a lien over the utility's future net revenues—its surplus income left over after its operating costs.

The appeals court left it up to Judge Laura Taylor Swain, the lower-court judge who has overseen Puerto Rico's bankruptcy process, to determine the "economic value" of the bondholders' security interest.

The oversight board that supervises Puerto Rico's finances said Wednesday that it was evaluating the ruling and that "Prepa does not generate any net revenues unless and until electricity rates are increased." Under bankruptcy law, bondholders' collateral must be valued when a restructuring plan is confirmed, "prior to any rate increase," the oversight board said.

Bondholders have argued that Prepa is required to raise rates enough to pay their claims in full. Wednesday's decision also said bondholders have a claim for the full face amount of their holdings, nearly \$8.5 billion, rather than the reduced \$2.4 billion that Judge Swain had estimated.

The restructuring plan, which would also cover Prepa's bank loans and vendor debts, would pay GoldenTree as little as 3.5 cents on the dollar, court records show. Some other bondholders, including BlackRock Financial Management, had supported the restructuring in return for an exclusive right to buy new, discounted bonds from Prepa.

Prepa has tested the municipal bond market's expectation of how its electric revenue bonds—a common type of tax-exempt debt secured by a pledge of special revenues—would fare in a bankruptcy.

GoldenTree and bond guarantor Assured Guaranty said in a joint statement Thursday that the ruling "restores the municipal market's understanding of the proper functioning of special revenue bonds." They said they hoped to reach a consensual resolution with the oversight board and elected officials in Puerto Rico.

## **The Wall Street Journal**

By Andrew Scurria

Updated June 13, 2024

Write to Andrew Scurria at [Andrew.Scurria@wsj.com](mailto:Andrew.Scurria@wsj.com)

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## **[Fitch: Healthy Tailwinds for U.S. Transportation Going Into Summer Travel Season](#)**

Fitch Ratings-New York-17 June 2024: A firmer-than-expected macro environment is set to anchor positive performance for U.S. transportation segments headed into 2H24, Fitch Ratings says in a new report, although there are still pockets of underperformance.

'Resilient activity performance is providing healthy tailwinds for airports, toll roads and ports,' said Senior Director Seth Lehman. 'Early indicators across all modes of transportation should keep fiscal

positions stable through the end of 2024.' That said, not all segments will see quite the same trajectory.

The broadest disparity seems to be emanating from U.S. airports. Passenger traffic overall is up over 6% year-over-year with travel demand looking robust headed into the summer. However, several west coast large market airports are still struggling to get back to pre-pandemic activity.

Overall port volumes have risen 14%. U.S. west coast ports are realizing sizable throughput increases while ports in the east and gulf coasts are seeing improved performance. Amid ports' continued stable financial performance lie some risks that warrant caution, among them an elevated cost environment that could pressure operating, capital, and financing costs.

Toll roads appear to be on the most stable ground overall. Vehicle miles traveled increased by 1% year-over-year in January-April with low-single-digit traffic growth likely for the rest of the year. Toll roads in southern U.S. states continue to benefit from higher population growth than in the northeast.

'North American Transportation Infrastructure Mid-Year Outlook 2024' is available at [www.fitchratings.com](http://www.fitchratings.com).

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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## **[S&P U.S And Canadian Airport And Special Facility Ratings And Outlooks: Current List And Year-To-Date Actions](#)**

[View the S&P Ratings & Outlooks.](#)

14 Jun, 2024

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## **[3D Visualization Predicts Hurricane Damage Before it Happens.](#)**

**By applying this technology to coastal communities or community buildings, such as schools and stores, researchers can help residents and officials create a plan for hurricane season.**

Researchers have implemented 3D visualization technology to identify the potential outcomes of hurricane flooding before it occurs.

Beginning annually on June 1, hurricane season poses a major threat to Texas coastal communities, causing both physical and financial damage to the areas they hit.

This damage can be staggering; when Hurricane Harvey hit in 2017, it cost Galveston \$132.73 billion in damages.

Severe weather has been increasing over the last several years due to global climate change, according to the researchers. If severe storms and flooding continue to increase in the future, implementing 3D visualization based on real-time weather forecasts could result in improved safety and less damage-inflicted costs.

[Continue reading.](#)

## **Route Fifty**

By Alyson Chapman,  
Futurity

JUNE 17, 2024

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## **[S&P 2024 Atlantic Hurricane Season : U.S. Federal Disaster Relief Funding Will Be Stressed To Withstand An Intense Season](#)**

**Despite the size and frequency of major storms in recent years, the damage has had limited impact on U.S. local governments' credit quality to date.** However, with projections for another record-breaking Atlantic hurricane season in 2024, a dwindling federal Disaster Relief Fund (DRF), which is the Federal Emergency Management Agency's (FEMA's) primary funding source, could compound fiscal risks for the places most vulnerable to storms and push up their costs to rebuild.

[Continue reading.](#)

11 Jun, 2024

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## **[Communities Step Up their Resilience and Climate Planning.](#)**

**COMMENTARY | A county in Florida is leveraging federal funding to reduce carbon emissions, improve energy efficiency in public buildings and invest in renewable energy infrastructure.**

Even before the start of what is expected to be a busier than normal Atlantic hurricane season, widespread rain and flooding have already begun to soak the South, putting millions at risk for flood damage and power outages among other threats. In fact, in the first five months of 2024, the U.S. has already been hit by disasters costing \$7 billion, including storms, heavy snow and hotter than average temperatures.

Communities and their infrastructure find themselves at the mercy of more extreme weather events, and they must take some immediate steps to adapt to the changing climate and mitigate damage. Fortunately, many cities and localities are tackling the challenge head-on by implementing policies

and programs that help their communities improve quality of life and build more resilient communities.

Sarasota County, Florida, for example, is working to strengthen its resilience to increased flooding.

[Continue reading.](#)

## **Route Fifty**

By Hilari Varnadore,  
U.S. Green Building Council

June 17, 2024

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## **[For US Cities in Infrastructure Need, Grant Writers Wanted.](#)**

**With billions in federal funds at stake, smaller cities are racing to compete for new clean energy and climate projects. That means filling out a lot of forms.**

It's a big windfall of federal investment. Together, bills like the Inflation Reduction Act, the Bipartisan Infrastructure Law, and the CHIPS Act present a substantial shift in how the US government funds local economic development, clean energy and environmental justice efforts, potentially giving cities and towns a huge boost.

That is, if the nation's 90,000-plus municipalities and tribal governments can finish filling out all the paperwork.

The trillion-dollar trifecta of Biden administration legislation from 2022 underscores just how important grant writing has become. In many ways, the ability of cities to enact new policies and tap federal resources rests on the desks of the staffers or contract workers who research, write and submit applications for funding. Uncle Sam will cheerfully write a check for cities to install solar panels via Clean Electricity Investment and Production Tax Credits, for example, or provide tax credits for buying electric vehicles. But first, you have to ask.

[Continue reading.](#)

## **Bloomberg Markets**

By Patrick Sisson

June 14, 2024

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## **[MSRB Adds Tradeweb AAA Muni Curve to Municipal Market Yield Curves on EMMA.](#)**

Washington, DC- The Municipal Securities Rulemaking Board (MSRB) today expanded the availability of yield curves and indices on its free Electronic Municipal Market Access (EMMA®) website with the addition of the Tradeweb AAA Municipal Curve.

“Offering the Tradeweb AAA Municipal Curve for free on EMMA is an important enhancement to market transparency,” MSRB Chief Market Structure Officer John Bagley said. “MSRB is proud to provide another source of hourly municipal yield information that can help investors, issuers and other market participants make more informed and timely decisions.”

The Tradeweb AAA Municipal Curve, which is the foundation for its Ai-Price model for municipal bonds, is constructed by selecting AAA-rated general obligation and revenue bonds that meet certain criteria metrics. It is updated hourly by combining public MSRB data with data from Tradeweb’s electronic municipal bond trading platform, while leveraging proprietary machine learning and data science to adjust the curves intra-day.

MSRB offers many yield curves and indices of third-party providers on EMMA, which are accessible from [EMMA’s Tools and Resources tab](#) . These market indicators and tools help investors to evaluate bond prices and yields, measure market direction and performance, and determine pricing on new bond issues. [Learn more about yield curves and indices on EMMA.](#)

Date: June 17, 2024

Contact: Aleis Stokes, Chief External Relations Officer  
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## [Active Management Will Drive Muni Returns in 2024.](#)

### **Value being restored in municipals**

- Municipal bonds deviated from U.S. fixed income assets and posted negative performance in May.
- Issuance remained robust and increasingly pressured the market late in the month.
- We have started to selectively add duration but see several reasons to remain patient.

[Continue reading.](#)

### **advisorperspectives.com**

by Patrick Haskell, Sean Carney of BlackRock, 6/16/24

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## [SIFMA Municipal Bonds Statistics.](#)

SIFMA Research tracks issuance, trading, and outstanding data for the U.S. municipal bond market. Issuance data is broken out by bond type, bid type, capital type, tax type, coupon type and callable status and includes average maturity. Trading volume data shows total and average daily volume and has customer bought/customer sold/dealer trade breakouts. Outstanding data includes holders’ statistics. Data is downloadable by monthly, quarterly and annual statistics including trend analysis.

YTD statistics include:

- Issuance (as of May) \$193.7 billion, +35.1% Y/Y
- Trading (as of May) \$12.8 billion ADV, +19.7% Y/Y

- Outstanding (as of 4Q23) \$4.1 trillion, +0.5% Y/Y

[Download xls](#)

June 3, 2024

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## **Conning Releases 2024 State of the States Municipal Credit Report, Outlook Shifts to "Stable" in Anticipation of Return to Pre-Pandemic Fiscal Conditions**

***As Costs Rise, States Should Prioritize Essential Spending in Coming Budget Cycle***

### **Interactive Exhibits Enable Deeper Understanding of Metrics**

- Outlook for state credit quality upgraded to “Stable” versus 2023 outlook of “Declining.”
- State rainy-day funds remain at near-record levels but rising costs are pressuring state budgets.
- Northeast, Great Plains and Great Lakes regions benefited from a slowing of pandemic migration patterns to the west and south.
- Interactive graphics enable a closer look at the report’s 13 economic, socioeconomic and financial metrics by state and region.

[Continue reading.](#)

Tue, Jun 4, 2024

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## **Fitch: Revenue Ramifications Emerge with US States Winding Down Large Tax Cuts**

Fitch Ratings-New York-06 June 2024: The period of sizeable state tax cuts that began in early 2021 and peaked in 2022 is drawing to a close, with revenue implications for states becoming clearer, Fitch Ratings says. In some cases, actual revenue losses exceed state estimates, although credit quality remains stable as states have ample reserves and broad budgetary flexibility.

State legislatures have proposed or enacted an estimated \$6.3 billion of new tax reductions in their 2024 legislative sessions, meaningfully less than the \$26.1 billion and \$40.2 billion of tax cuts, rebates and credits adopted in 2023 and 2022, respectively.

Ohio and Arizona are among the states with the largest shortfalls between forecasted and actual revenues so far in fiscal 2024. Ohio’s fiscal 2024 tax collections were tracking \$445 million (1.9%) below forecast through April 30, which the governor ascribes to the cumulative effects of personal income tax (PIT) rate cuts and bracket compressions in the last two biennial budgets. In Arizona, the state’s Joint Legislative Budget Committee primarily attributed a \$900 million downward revision in its fiscal 2024 revenue forecast in January to previously enacted income tax cuts.

Tax reductions over the past few years included a broad mix of both one-time and recurring tax policy actions. California enacted \$10 billion of tax rebates in 2022 paid largely from surplus revenues, while Nebraska enacted nearly \$1.4 billion of permanent PIT rate cuts and property tax



credits. This will equal roughly 15% of fiscal 2021-2022 biennial revenues once the cuts are fully phased in by 2027.

Like Nebraska, other states including Georgia, Kentucky, Pennsylvania and West Virginia are phasing in previously enacted tax changes over multiple years. In some cases the associated revenue losses will not be fully realized, or even clear, until the early 2030s. The revenue effects of prior cuts through fiscal 2024 have so far been within these states' expectations.

Modest revenue underperformance compared to forecasts is unlikely to have a negative credit effect given that state rainy day funds and other counter-cyclical fiscal cushions have been greatly augmented since the pandemic. State rainy day funds averaged 13.8% of prior year revenues in fiscal 2023 compared with 7.9% in fiscal 2019 and only 5% prior to the 2008 Global Financial Crisis. However, the effects of recent years' tax cuts on revenues have not been tested by a cyclical downturn, which could have a more pronounced effect on collections.

Policymakers are reticent to enact further large, permanent tax cuts. In Oklahoma, the state senate recently resisted a gubernatorial proposal for an income tax rate cut even as the state eliminated its sales tax on groceries. In Virginia, the legislature rejected the governor's proposal for a broad tax restructuring that also included a sizeable PIT rate cut.

States are likely to forego substantial new tax reductions in the near term, and instead focus on making more marginal changes. These include expanding or revising existing tax credit programs such as the state earned income tax credit (EITC) and childcare tax credit. Additionally, we anticipate efforts to expand tax bases will include more services and digital goods, as well as broaden transportation fees and levies to compensate for declining fuel taxes.

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## [\*\*NASBO: Summaries of FY25 Enacted Budgets\*\*](#)

### **Overview**

Over the course of the coming months, 33 states, the territories, and the District of Columbia will enact a budget for fiscal 2025 (Kentucky, Virginia, and Wyoming will enact a biennial budget for both fiscal 2025 and fiscal 2026). Last year, 17 states enacted biennial budgets covering both fiscal

2024 and fiscal 2025; in seven of those states, the governor released a supplemental or revised budget recommendation for fiscal 2025. Forty-six states begin their fiscal year on July 1 (New York begins its fiscal year on April 1, Texas on September 1, and Alabama and Michigan on October 1). Puerto Rico begins its fiscal year on July 1, while the District of Columbia, Guam, and the U.S. Virgin Islands begin their fiscal year on October 1.

[Continue reading.](#)

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## **What Prevents Local Governments From Managing Their Finances More Effectively?**

American voters can be forgiven for thinking that their local governments are in a constant state of fiscal crisis. New York City continues to struggle with an influx of migrants that has jeopardized its ability to maintain services and led the mayor to appeal for greater state and federal support. Chicago grapples with a massive pension shortfall and debt burden amidst persistent difficulty in finding common ground, as illustrated by the recent failure of a mayor-led initiative to reform the real estate transfer tax. Los Angeles faces a growing budget shortfall that imperils its efforts to confront a homelessness crisis. American cities are struggling to adjust to a post-pandemic world of empty office towers and shifting commuting patterns.

Yet, many of the fiscal problems that governments face predate the pandemic. In fact, one can't help but wonder whether there has ever been a time that local governments have managed their finances prudently, when cities did not face impending budget cuts and threats of drastic service reductions. The answer is: they haven't. And the reason why is the same reason why so many governance challenges persist: the institutional structure and the incentives that it gives rise to. Too often, municipal leaders simply are not incentivized to engage in prudent fiscal management.

To explain why, it helps to start with one of the most basic features of local government budgets: the balanced budget requirement. Unlike the federal government, city and state governments in the United States cannot engage in deficit spending. And while the details of these requirements vary from place to place, the overarching picture is the same: governments must balance their operating budgets on a cash (or near-cash) basis.

[Continue reading.](#)

PROMARKET.ORG

BY TRAVIS ST. CLAIR

June 3, 2024

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## **Auditing Reimagined: Looking Beyond the Public Dollar**

**COMMENTARY | Today's auditors don't just account for finances, they also account for outcomes. Local government leaders should look to them as key allies.**

Having dedicated most of my public service career to elevating the profession of performance

auditing, I was gratified to see recently that it had progressed from a nice idea to a top priority for the current generation of local government auditors.

This focus on “auditing for impact” is a healthy progression toward a more inclusive and results-oriented approach, promoted by an activist brand of practitioners who, in the words of one scholar of the field, “regard the public as their ‘ultimate client.’”

It’s a positive change that has been cultivated, in part, by the Association of Local Government Auditors, or ALGA. And I saw it on display in Seattle last month at the group’s annual conference, especially on the all-female panel I moderated featuring leading auditors from diverse backgrounds, a metamorphosis that is clearly invigorating the profession.

[Continue reading.](#)

## **Route Fifty**

By Mark Funkhouser

JUNE 6, 2024

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## **[How Finance Officers Can Shake Things Up.](#)**

**Local government finance officers can employ revenue, procurement and other tactics that disrupt the status quo to finance important initiatives.**

I recently watched *Rustin*, the biopic about nearly forgotten civil rights leader Bayard Rustin, who was the chief organizer of the 1963 March on Washington for Jobs and Freedom. In 1948, the year of Mahatma Gandhi’s assassination, Rustin traveled to India to learn the techniques of nonviolent civil resistance, which he later taught to Dr. Martin Luther King Jr.

Not long after his India trip, Rustin wrote, “We need, in every community, a group of angelic troublemakers.” These words were echoed by another civil rights icon, John Lewis, who famously said, “When you see something that is not right, not fair, not just, say something. Do something. Get in trouble. Good trouble.”

Local government finance officers might be the last people you would think of as troublemakers of any kind. Their job, after all, is to keep cities and counties out of trouble by ensuring that tax dollars are managed responsibly. The truth is that finance officers are people too, not human calculators. Many of them care deeply about making their communities better — in a fiscally prudent way, of course.

[Continue reading.](#)

**governing.com**

OPINION | June 6, 2024 • Andrew Kleine

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## **[New Issue Brief: Time to Fix Underfunding of Public-Sector Pensions - Manhattan Institute](#)**

### **The current high-interest rate environment presents a unique opportunity to correct accounting practices and to set public-sector pensions on a more sustainable path**

NEW YORK, NY — Public-sector pensions are facing a significant underfunding crisis that has only worsened over the past 25 years despite periods of high-asset returns. This growing burden threatens the financial stability of municipal and state finances, potentially leading to higher taxes or severe cuts to retirees' benefits and essential services if not addressed promptly. In a new Manhattan Institute [issue brief](#), senior fellow Allison Schragger argues the current high-interest rate environment presents a unique opportunity to set public-sector pensions on a more sustainable path.

Improper pension accounting standards set by the Governmental Accounting Standards Board (GASB) are at fault for masking the true extent of underfunding. The GASB allows states and municipalities to underprice risk and the cost of their obligations—a practice that is at odds with basic finance and different from how pension liabilities are measured in the private sector. Current accounting effectively incentivizes riskier investments and overly optimistic return assumptions.

State and local pension plans use accounting standards suggested by GASB to measure their funding status in their Annual Comprehensive Financial Report (ACFR). While the ACFR does not necessarily have any direct impact on the contributions that states and cities pay to fund their pensions, it enables further underfunding because it suggests that risk is costless and that providing pension benefits is cheaper than it is.

The gap between expected returns and interest rates is narrower in the current high-rate environment, making it politically and economically feasible to adopt more defensible standards. States and municipalities should use the opportunity to adopt better and more uniform standards for how liabilities are measured and for how contributions are calculated and paid. By requiring sponsors to account for risk and the cost of guarantees, the focus would shift from returns to risk management, promoting long-term fiscal sustainability. Such accounting would ensure that regardless of rising or falling rates in the future, pensions would be properly funded.

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## **[Bad Accounting Can't Make the Public Pension Funding Shortfall Crisis Add Up: Manhattan Institute](#)**

### **Introduction**

Public-sector pensions are underfunded, and the problem is getting only worse. Despite many years of high asset returns, municipal and state finances face a slow-moving crisis as the bill comes due on their pension obligations. The burden will either fall on taxpayers or lead to cuts in benefits on retirees and essential services on the entire tax base. The time to fix an underfunded pension plan is always yesterday, but the current high-interest-rate environment offers an opportunity to put public-

sector pensions on a more sustainable path. This will require changes at the state, local, and federal levels.

The core of the problem is pension accounting. The extent of underfunding is obfuscated by the current accounting standards that enable states and municipalities to underprice risk and the cost of their obligations. State and local pension plans use accounting standards suggested by the Governmental Accounting Standards Board (GASB), a nonprofit body, in order to measure their funding status in their Annual Comprehensive Financial Report (ACFR). These guidelines often influence the contributions that fund the plans.

GASB's accounting standards are at odds with basic finance and are different from how pension liabilities are measured in the private sector. The current standards not only obscure the extent of underfunding; they create an incentive to invest in riskier assets and provide overly optimistic return assumptions. Research shows that overly optimistic return assumptions are a big driver of the increase in underfunded liabilities.[1]

For decades, critics have called for public pensions to adopt more defensible and commonly used accounting standards.[2] This would involve using market-based discount rates (the rate of return used to calculate future cash flow), particularly low-risk government interest rates. Lower and more defensible rates would reveal the extent of the underfunding based on current market rates, which is correct. But if states and cities realize the truth, it could result in dire financial consequences for some municipalities because it could mean higher contributions or higher municipal interest rates.

True, the underfunding reported in an ACFR does not necessarily have any direct impact on the contributions that states and cities pay to fund their pensions. But it enables further underfunding because it suggests that risk is costless and that providing pension benefits is cheaper than it is. The underfunding is also important because the funding level is observed by municipal bond buyers, highly motivated voters, and anyone with an interest in the health of the pension, such as unions. There is evidence that pensions do respond to what is in ACFRs. For instance, states and cities raised contributions when discount rates were lowered after the guidance was changed in 2012 because the local governments feared pressure from their stakeholders.[3]

While informing these stakeholders on the true extent of pension funding is desirable from an economical and long-term fiscal sustainability perspective, a drastic change could be self-defeating. States and municipalities are required to use GASB accounting in their ACFRs, but they are not required to make the necessary contributions estimated by GASB to cover the underfunding or even to use the same method to estimate their contributions. If the standards are seen as completely unreasonable or unrealistic, they will have less influence, which could worsen transparency and lead to more irresponsible investing.

Although the 2012 move faced resistance, it was, at best, a half-measure that sent mixed messages. Thus, even a few years ago, when rates were near-zero, moving to a more defensible standard would have been politically untenable. Our higher-interest environment changes this situation because the difference in expected return and interest rates is no longer so large. (In fact, in the last higher-rate environment, the 1990s, many pensions were overfunded.)

The current high-rate environment is an opportunity for states and municipalities to get on the right track by adopting better and more uniform standards for how liabilities are measured and for how contributions are calculated and paid. Ideally, this reform would encourage states and municipalities to start managing interest-rate risk, so that if rates fall or rise in the future, pensions would still be properly funded.

It is expensive to guarantee funding for pensions, but it can be managed using simple interest-rate hedging strategies. When the expected return is the discount rate, there is no incentive to use these strategies because the plan sponsor is fixated on returns rather than risk management. Requiring the sponsor to account for risk and the cost of a guarantee, which this issue brief explores, changes the focus for states and cities and makes the benefits of risk management more apparent.

[Continue reading.](#)

June 6th, 2024

Issue Brief by Allison Schragger

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## **[Louisiana Gun Bill Risks Roiling Wall Street's Muni Business.](#)**

- **Proposal would limit work with banks with gun restrictions**
- **Bill sent to state's Republican governor for signature**

Louisiana could soon bar banks that “discriminate” against firearm entities from working on government contracts, after lawmakers advanced legislation that’s similar to a Texas statute that has whipsawed Wall Street firms’ public-finance work.

State lawmakers passed Senate Bill 234 last week and sent the legislation to Republican Governor Jeff Landry’s office for signature. Under the [legislation](#), any company into entering a public contract of \$100,000 or more must provide a written verification that they do not have a “practice, policy, guidance, or directive” that would “discriminate” against firearm entities or trade groups.

If passed, it would add to the pressure campaign from GOP states against Wall Street. Texas enacted a [similar law](#) in 2021 targeting Corporate America’s firearm policies, and it has [hurt](#) some large banks’ public-finance business in the state.

[Continue reading.](#)

## **Bloomberg Markets**

By Amanda Albright

June 4, 2024

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## **[Airports Across US With \\$151 Billion in Needs Set to Storm Bond Market.](#)**

- **Projects from terminal expansion to upgrades are on tap**
- **Issuance in 2024 may reach \$21 billion, near pre-pandemic peak**

US airports are set to storm the municipal-bond market in the weeks and months ahead to raise billions of dollars for upgrades and fixes they can no longer put off as travel surges to new highs.

At the urging of airlines, facilities across the US are increasing not only runway capacity but also amenities at new or renovated terminals, with plans for shopping areas and lounges as traffic reaches records. That’s on top of basic infrastructure maintenance.

Already this year, operators of airports in cities from San Francisco to St. Louis have come to market with \$3.5 billion of debt, according to a June 3 report by Ramirez & Co. Heavy volume through September and another wave in December will push the total for the year to \$21 billion, close to the pre-pandemic peak, the municipal underwriter forecast in a report released this week.

[Continue reading.](#)

## **Bloomberg Markets**

By Skylar Woodhouse and Shruti Singh

June 5, 2024 at 8:43 AM PDT

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## **[US Colleges Are Stuck Between Decline and More Debt.](#)**

**University of the Arts in Philadelphia just shut down as institutions take on debt to lure new students**

### **Debt-or-Die**

Smaller US colleges facing rising costs are opting to merge or shut down entirely while university debt sales are rising as schools vie for an increasingly tinier pool of students.

Last week, University of the Arts in Philadelphia abruptly announced that it would close on June 7. The school has around \$50 million of outstanding municipal bond debt, whose rating was slashed four notches to C by Fitch this week.

That's the latest in a string of college casualties, a consequence of universities across the country contending with shrinking demand partly due to demographics — birth rates began falling in the aftermath of the financial crisis, and students born then are now approaching their college years.

[Continue reading.](#)

## **Bloomberg Newsletter**

By Aashna Shah

June 8, 2024

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## **[S&P: U.S. Transportation GARVEEs Are Stable, Much Like Sector Funding](#)**

### **Key Takeaways**

- S&P Global Ratings views the U.S. federal-grant-secured transportation sector as stable given expected reliable funding and continued strong support for transportation infrastructure investment across all levels of government, and thus most grant anticipation revenue vehicles (GARVEEs) are rated in the 'AA' category.
- Funding from the Infrastructure Investment and Jobs Act (IIJA; also known as the Bipartisan

Infrastructure Law, or BIL) in federal fiscal 2023 totaled \$59.5 billion for the Federal-Aid Highway Program and \$13.6 billion for transit formula grant programs sourced from the Highway Trust Fund. Based on estimates of outlays, the fund is projected to be exhausted in 2026.

- Inflated construction project costs, labor shortages, and other hurdles continue to erode the anticipated benefits of BIL/IIJA funding.
- Our AA+/Stable/A-1+ U.S. sovereign credit rating is linked to both stand-alone GARVEE ratings and backstopped GARVEE ratings that benefit from an additional pledged security such as state gas taxes.
- Our analysis of key financial metrics for fiscal 2023 shows that GARVEE programs continue to demonstrate very strong maximum annual debt service coverage that we do not expect will materially erode as states and regional transportation agencies potentially issue more debt to maintain and expand investment in roads and transit.

[Continue reading.](#)

6 Jun, 2024

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## **Stadium Bond Sales Revive as Minor League Baseball Shuffles Deck.**

- **Spartanburg, South Bend borrows to build, refurbish stadiums**
- **Spartanburg sees Fifth Third Park opening for 2025 season**

The new look of US minor-league baseball took a curtain-call last week as Spartanburg, South Carolina, sold bonds to build a stadium for the Hub City Spartanburgers, a Low-A level affiliate of the Texas Rangers.

Spartanburg, a city of 38,732 in the upstate region of South Carolina, sold \$63.8 million in revenue bonds to build the 5,000-seat Fifth Third Park stadium, which is slated to cost \$100 million and open in time for the 2025 season. The bonds are backed by a mix of rent, fees and taxes. The city and county are contributing another \$59.4 million to the project.

Minor league baseball is still recovering from the lost year of 2020, when the pandemic shut down the season and Major League Baseball cut the size of the minor leagues by more than 40 teams to 120, and then told the rest to replace or upgrade their stadiums. In 2023, sales of municipal bonds for sports facilities tripled, to \$1.8 billion, according to data compiled by Bloomberg.

[Continue reading.](#)

### **Bloomberg Industries**

By Joseph Mysak Jr

June 4, 2024

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## **FCC Approves Pilot to Boost Cybersecurity in Schools.**

**Amid a rapid increase in ransomware attacks on k-12 schools, the commission is allocating \$200 million over three years to strengthen cyber protections.**



Parents of students in Center Line, Michigan, an inner ring suburb of Detroit, got a text late Monday night last week canceling school the next day. School officials had been forced to shut down the district's entire computer system to [stop a ransomware attack](#). Since schools run through technology, whether it's food service, cameras, phones or educational software, there were few other options.

The closure ultimately lasted only one day. But parents and students have been asked to be patient as the district works "through other tech challenges" likely to surface as the breach is investigated.

Ransomware attacks like the one on Center Line Public Schools are [becoming all too familiar](#). School districts depend more than ever on technology, and as a result, their systems and the personal data they store are increasingly targets of hackers. In 2022, according to an [analysis](#) by the cybersecurity firm Emsisoft, 45 districts reported breaches. In 2023, that number more than doubled, to 108.

[Continue reading.](#)

## **Route Fifty**

By Elizabeth Daigneau,  
Executive Editor, Route Fifty

JUNE 6, 2024

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## **[MSRB Request for Comment on Gathering and Display of Bank Dealer Associated Persons' Registration and Qualification Information.](#)**

[Read the MSRB Request for Comment.](#)

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## **[Midyear Outlook: Corporate Bonds and Muni Bonds - Charles Schwab Podcast](#)**

[Listen to the podcast.](#)

by Liz Ann Sonders & Kathy Jones

June 7, 2024

**Charles Schwab**

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## **[S&P: U.S. States' Fiscal 2025 Budgets Navigate Evolving Risks As Economic Growth Prospects Wane](#)**

### **Key Takeaways**

- U.S. state fiscal 2025 budgets look relatively unchanged from a year ago, with budgetary priorities remaining focused on enhancing grade K-12 education funding, reassessing Medicaid outlooks,

and further extending tax relief.

- As economic tailwinds fade, an emerging risk for fiscal 2025 budgets is that revenue could prove more sensitive to broader macroeconomic trends with limited boost to momentum.
- With the soft-landing scenario emerging, the budgetary operating environment, even if a touch bumpy, should remain manageable.

[Continue reading.](#)

28 May, 2024

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## **[As Hype Intensifies, Cities Put AI To the Test.](#)**

**A recent gathering of local officials shed some light on how cities are using artificial intelligence today and how they plan to use it.**

One of the best things about new technologies is imagining all the ways they can be applied to our daily lives. That's been especially true of artificial intelligence.

Technologists, business leaders, academics and politicians have all talked about the myriad ways AI could be deployed, from addressing bigger picture issues such as preventing cyberattacks, detecting public health threats and identifying potential offenders to the more day-to-day applications like tracking fare evasion, assisting teachers in the classroom and helping small businesses navigate city codes, permitting processes and other regulations.

In many cases, state and local leaders are already putting some of these ideas to the test. During a panel discussion at last week's Smart City Expo USA conference in New York City, speakers discussed the potential uses their cities have already identified and are piloting.

[Continue reading.](#)

### **Route Fifty**

By Chris Teale,  
Staff Reporter, Route Fifty

MAY 30, 2024

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## **[Post-Pandemic, Downtown Recoveries Continue To Be Uneven.](#)**

**From office conversions to bonding programs to unconventional approaches, cities are testing different ways to revive their downtowns.**

City officials are trying to revive their downtowns in myriad ways, whether it's through office conversions in New York City, bonding programs in Chicago, or sports-related development in Pittsburgh and Salt Lake City.

### **Recovery Rates Vary**

COVID-19 turned many once-vibrant city centers into ghost towns. Shops and local eateries closed, and office buildings sat empty as employees worked from home.

The fates of downtowns since the pandemic have varied significantly, said David Stanek, a research fellow at the Penn Institute for Urban Research, author of a forthcoming report for the Volcker Alliance about those recoveries.

[Continue reading.](#)

ROUTE FIFTY

by DANIEL C. VOCK

MAY 31, 2024

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## **[Communities Push to Take Over Investor-Owned Utilities and Make them Public Nonprofits.](#)**

**Advocates say public power can deliver cheaper rates and a faster, more equitable transition to clean energy. Still, the measures face long odds.**

Activists pushing San Diego to take over the city's investor-owned utility aren't letting last year's defeat of a similar effort in Maine deter their goal of establishing a nonprofit power company. They recently submitted petitions bearing more than 30,000 signatures from residents who want the City Council to let voters decide the matter this fall.

Advocates say a municipal takeover of San Diego Gas & Electric would deliver cheaper rates and a faster, more affordable, and more equitable transition to clean energy. Still, the measure faces long odds from skeptical council members who have twice rejected similar proposals.

[Continue reading.](#)

### **Route Fifty**

By Akielly Hu,  
*Grist*

MAY 31, 2024

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## **[A New Tool Aims to Help Communities Spend Their Opioid Settlement Money Wisely.](#)**

**The dashboard helps local governments estimate how much money to expect and, based on that, offers evidence-based recommendations on how best to spend it.**

"Something so boring it's genuinely kind of hot," joked the comedian John Oliver as he [dove into the topic of opioid settlements](#) earlier this month on his HBO show, "Last Week Tonight." Oliver, in a departure from his usual format, was looking at the massive task before state and local governments

to allocate and spend the billions of dollars coming their way.

Thousands of state and local governments have been awarded more than \$50 billion to be paid out over 18 years by companies accused of pumping opioid painkillers into communities and leaving millions addicted or dead. “Theoretically,” Oliver said of the money, “it will be used to mitigate the damage that opioids are doing. [...] But when you don’t have a plan for your money, it can be easy to spend it in a thoughtless way.”

That’s where the National League of Cities is hoping to help. Last week, [NLC debuted a new tool](#) to help municipalities and counties estimate the total amount their communities can expect from the national \$26 billion opioid settlement with the pharmaceutical manufacturer Johnson & Johnson. The interactive dashboard also offers data-backed investment recommendations based on the amount a jurisdiction can expect in settlement dollars.

[Continue reading.](#)

## **Route Fifty**

By Elizabeth Daigneau,  
Executive Editor, Route Fifty

MAY 30, 2024

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## **[To Drive Revenue, Cities Turn to Tech to Fix Their Parking Problems.](#)**

**Parking brings in \$3 billion a year for state and local governments. That’s why they are using new technologies to help push parking reforms aimed at streamlining enforcement and increasing revenues and environmental friendliness.**

City parking is a pain for drivers and cities both. Drivers searching for the most convenient spot for the least cost add to congestion and greenhouse gas emissions when they repeatedly circle the block looking for an open space. Sometimes they double park, overstay a spot’s time limit or park in bus lanes or safety zones. On the city side, enforcement requires staff for ticketing or arranging for towing or installation of a boot. Equipment and parking lots must be maintained, safety ensured, and payments easy to submit and collect.

But for all the headaches parking causes, it can be a major source of revenue for cities. State and local governments raised \$3 billion from parking charges in 2020, according to Census Bureau data. That’s why many are turning to technology to help drive parking reforms aimed at streamlining enforcement and increasing revenues and environmental friendliness.

Los Angeles, for instance, is preparing to test artificial intelligence to crack down on drivers who park in bus-only and priority lanes.

[Continue reading.](#)

## **Route Fifty**

By Stephanie Kanowitz,  
Contributor, Route Fifty

MAY 30, 2024

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## **[Banking Consolidation Raises the Costs for Local Governments to Issue New Debt.](#)**

Security underwriting is a pillar of the financial system, since a bond or equity issuer usually relies on an intermediary to take on the risk of its security before it goes to the open market. Newly issued corporate equity, corporate bonds, and municipal bonds (or “muni” bonds) comprised \$102 billion, \$883 billion, and \$410 billion, respectively, in the United States in 2022. Despite the high volume, some [argue](#) that security issuance has not reached its full potential in terms of serving the real economy due to the deterrence of high levels of fees in the underwriting process. In particular, muni bond market watchdogs [warned](#) that issuers could “easily be taken advantage of — urged to issue needless or poorly structured bonds, pushed to accept high interest rates or duped into paying hundreds of thousands in unreasonable fees”, which could have put strain on the US K-12 education system.

How should we view underwriting fees? Are underwriters rightfully compensated for performing their tasks, perhaps because security underwriting is inherently intricate and involves considerable risks? What happens when underwriters possess disproportionate market power and earn economic profits beyond the competitive level? In a recent paper, I direct my attention to the muni bond market. Studying consolidating activities as shifters of underwriter market power, I gain insight into its role in shaping the security issuance market.

Local governments usually issue muni bonds to fund infrastructure projects such as roads and water lines. The muni bond market rivals the corporate securities markets in the total volume of issuance nationally. Compared to the corporate securities underwriting market, though, the muni bond underwriting market is much more geographically fragmented. For example, none of the top three underwriters in California during 2010-2020 was a top ten in Massachusetts, nor vice versa. On the contrary, the top ten corporate bond underwriters were the same in these two states with only slight difference in the rankings, and there was also significant overlap in the corporate equity underwriters. Moreover, muni bond underwriting is a dynamic industry which has seen ample consolidation in recent decades. The average HHI based on local underwriter market shares rose from around 1,000 to 1,500 in the past three decades, accompanying 197 mergers and acquisitions (M&As) deals. These features allowed me to study the effects of M&As to understand both the costs and efficiencies that such consolidation produces and, most importantly, its impact on the local governments that rely on the industry.

[Continue reading.](#)

PROMARKET.ORG

BY RENPING LI

May 20, 2024

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**[AI Guardrails vs. ‘Guiderails’: Navigating the Curvy Road Ahead](#)**

## **COMMENTARY | Rather than focusing on guardrails, which try to prevent undesirable outcomes, agencies should consider more proactive guiderails that make generative AI safe and easy to use.**

Generative AI adoption and experimentation have exploded in a remarkably short time. According to the business intelligence firm Domo, ChatGPT gets approximately 7,000 prompts (or questions) every minute of every day. And as the technology continues to improve and become more familiar to people, that number will certainly continue its steep climb.

Among early AI adopters are many state and local government employees. Most raise their hand when asked if they have ever tried a generative AI application, but they say they use the technology privately and out of sight of their supervisors. That's because public sector managers and policymakers continue to insist on developing and enforcing guardrails that often restrict AI's use, intentionally or not.

Guardrails typically set boundaries or constraints to prevent systems from operating outside certain predefined limits. These limits include ethical considerations, legal requirements, safety measures and performance thresholds. Guardrails act as safeguards to ensure that systems do not cause harm or deviate from their intended purpose. For example, guardrails might limit a system's decisions or actions to ensure they comply with a governmental authority's ethical guidelines or regulatory standards.

[Continue reading.](#)

### **Route Fifty**

by Alan R. Stark

MAY 22, 2024

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## **[AI And The Municipal Bond Market: Oceans Of Data](#)**

The municipal bond market is often described as complex, opaque, and fragmented with multiple sectors, submarkets, and tens of thousands of issuers. Documents and financial statements are mostly in PDF form, not digital. Financial statements lack a consistent taxonomy. All of which contribute to the self-perpetuating myth of that the market is difficult to nearly impossible to neatly organize and categorize.

Except now, with AI technology, this myth is about to be busted. Finally.

### **In Plain English**

In developing English language version of ChatGPT, the engineers had to code in not only all of the spelling, grammar rules (and the exceptions), and definitions of words, but also the various meaning of words both independent of and in conjunction with each other. In all, they had some 400 billion words—individual, combined, and sometimes repeating—to wrestle with. This took up around 570 gigabytes, running through a variety of complex learning algorithms.

Key to ChatGPT developers' success was taking words, which are unstructured data, and making them into structured data. Basically, unstructured data—words, photos, sounds—come with no

inherent numbers or tags a computer can read or understand. Structured data, like numbers in spreadsheets with labelled rows and columns, comes tagged and organized, readily computer legible.

What makes AI technology so formidable is the well-defined data architecture frameworks that can organize, tag, and categorize whatever is presented as unstructured. This is generally referred to as tokenization, where a word or part of a word is assigned a number.

It's not limited to words. Take anything unstructured, apply a number and a tag to it, and it can be transformed into data.

Anything. That includes all the unstructured data in muniland.

### **Clear Sailing on Oceans of Data**

When it comes to data, the municipal bond market has oceans of it. Trading levels, offering documents, financial statements, deal structures, yield curves, professional publications. Name just about any issuer or bond data and it exists.

And, contrary to what some in the market have asserted, from an AI standpoint, the data is very, very good.

Here's why. For one, the reference data is generally standard for bonds. No matter the sector or issuer, there is a coupon, maturity, and so forth. There is a low need for unique identifiers. In most cases, a rose is a rose is a rose is a rose. Thanks or apologies to Gertrude Stein.

Second, as a whole, the market has developed a standard professional vocabulary. Many of these terms are fairly consistent from bond issue to bond issue and from sector to sector. It may be a rare instance where we can actually thank bond attorney's for repetitive boilerplate disclosure language and presentation formats. By codifying the market's linguistic traditions, counsel may have actually paved the way for AI to be applied easier.

The irony that attorneys inadvertently contributed to drafting this law of unintended consequences is not lost.

As for the data overall, one MIT GOV/LAB data researcher noted in a recent publication where he applied various AI analyses on over 4 million bonds in 445,000 issues, "municipal bonds have a high degree of transparency, with large, consistent and easily available datasets stretching back many decades." This may be the first time "municipal bonds" and "transparency" have appeared in the same sentence without the word "lack" between them.

### **Show Me The (Unstructured) Data**

It's not hard to find data in the municipal bond market. It's everywhere. Numerous data aggregators and providers proliferate, including Merritt Research Services, DPC DATA, Bloomberg, Mergent, LSEG, S&P Global Market Intelligence—and others.

But arguably the world's most comprehensive and publicly accessible municipal market database can be found in the Municipal Securities Rulemaking Board's Electronic Municipal Market Access platform, or EMMA for short. As the principal regulator of the municipal securities market and part of its legislated mandate, the MSRB is the repository for all municipal securities disclosure. If it pertains to a publicly offered municipal security, from Official Statements to Annual Comprehensive Financial Reports (ACFR) to rating changes to bond trades and everything in between, it has to be

filed with the MSRB. Municipal trading data and disclosure documents associated with municipal bond issues are available at no charge on EMMA or on a subscription basis in real-time for a fee. In fact, many of the market's fee-for-data providers draw from EMMA.

Structured data, such as on trades, is straightforward enough to download and, after some massaging, readily machine readable for AI analysis.

But it's the enormous volume of rich, unstructured data in the MSRB files that proves more challenging. Start with the Official Statement, referred to as an "OS" by market professionals. The OS is the equivalent of a prospectus for a stock offering. (Note: eventually, the OS will be fully digitized and structured, but we're not there just yet.)

These offering documents have everything an investor could want about a bond issue—final pricing structure, the issuer, the borrower, rating, use of proceeds, operating information, tax opinion. The list goes on. If it pertains to the bond issue, it's in there.

## **Measuring Up**

To take a digital measure of these documents, we first draw from the cornucopia of information in the MSRB Factbooks that a fair estimate of around 185,000 Official Statements were filed from 2009 to 2023.

The MSRB did some analysis on a small portion of Official Statements submitted for a bond issuance. It was found the average OS ran about 150 pages. Multiplying the average number of pages by the number of OS filed over that period and the result comes in at 27,750,000 pages, give or take.

Let's convert those pages into digits. In digital terms, this sentence has about 52 bytes. Each character, which includes spaces and commas and periods, is roughly one byte. A kilobyte has 1024 bytes, somewhat short of a half a page of text, so a full page is around 2.5 kilobytes. A megabyte is 1024 kilobytes and one gigabyte has 1024 megabytes. By some estimates, there are around 178,000,000 words in 1 gigabyte.

A few jabs at the calculator show those 27,750,000 pages weigh in at some 66 gigabytes of data.

That's a fair amount of data, but it leaves out the continuing disclosure bond issuers have to file with the MSRB (well, really the issuer's bond underwriter but that's another [article](#)). Continuing disclosure includes information such as financial statements, redemptions, notice of default, and any other filings required under the law. It adds a lot of data. The OS gets filed once, but the continuing disclosure lasts as long as the bond is outstanding. Some bond issues have 30 year maturities.

Using the MSRB's powerful EMMALabs Disclosure Search Tool, an exceptional technology to pull up numbers from both primary market documents and continuing disclosures, the Lab currently has more than 36 million pages extracted from over 860,000 indexed documents from 2019 to the present, with the average document being 42.6 pages.

A few more jabs at our calculator under this methodology to disclosure documents calculates to around 85 gigabytes of data.

## **Drawing the Line**

The MSRB's line stops there. However, if you go one step further and combine the data from the two methods and time frames, do some back-of-the-excel-spreadsheet calculations and extrapolations, you could estimate the all the OS and disclosure data in those files totals up to a very rough 244



gigabytes. While it is admittedly far from perfect, even if you're off by 10% or 20% on either side, you're likely still in the ballpark.

## **Myth Busted**

Now, remember those 570 gigabytes the ChatGPT engineers needed to organize the English language?

The municipal bond market's vast trove of unstructured data isn't even remotely as complex. The digital amount of unstructured data in those OS and disclosures and financial statements maybe come to half of what ChatGPT required. Moreover, it is more readily standardized, organized, categorized than English.

## **From Opacity to Transparency**

Training ChatGPT models on municipal market language will likely take far less time to develop a MuniGPT. There is no question it's underlying deep learning technology can be applied to the words quietly sitting in those OS and disclosures and financial statements. The benefits to investors and issuers alike from the fount of information that could be released by machine and deep learning analysis to this data is staggering to consider.

But what AI will do is remove the complexity and opacity to de-myth-tify municipal bonds and make them all a bit more generic.

That would not be a bad thing.

## **Forbes**

by Barnet Sherman

May 22, 2024

My genuine appreciation to the Municipal Securities Rulemaking Board for their work in researching and providing data for part of this article.

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## **[A \\$180 Billion Program to Spur Government Spending Is Backfiring.](#)**

**States and cities are refinancing bonds and causing investor ire because of federal budget cuts more than a decade ago.**

In March the University of California system decided to save itself some money. Just like a homeowner with a mortgage when better rates are available, it set out to refinance some of its debt. But then things got complicated. Current bondholders [staged a revolt](#) to stop the \$1 billion deal, hiring a big-name law firm that threatened a lawsuit.

The drama surrounding UC's bond offering is part of a bigger story: the messy demise of a financing program once hailed as a way to use markets to save the US economy. The university system had issued a Build America Bond, part of a federally subsidized program to get the economy moving again in the wake of the 2008 financial crisis. Lenders had pulled back from markets, and Congress and the administration of then-President Barack Obama were looking for creative ways to finance public spending that could generate jobs while upgrading the country's infrastructure.

They came up with BABs as an alternative to traditional municipal bonds. Munis are a cheap way for states, cities and colleges to borrow because the interest they pay is usually exempt from federal and state income taxes. That means the borrower can offer investors a lower rate than a comparable taxable issuer can. The catch is that munis aren't as attractive to a big investor outside the US, such as a Canadian pension plan or a Japanese insurer, because the foreign buyer doesn't benefit from the tax break. BABs would come without the tax break but pay a higher rate, making them appealing to a broader group of global investors. To keep the loans affordable for borrowers, the federal government would pay them back in cash 35% of the interest cost each year.

[Continue reading.](#)

## **Bloomberg Markets**

By Nic Querolo and Amanda Albright

May 23, 2024

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### **[Colleges Ramp Up Debt Sales in Frenzied Race for New Students.](#)**

- **Fierce competition drives colleges to renovate campuses**
- **Some borrowings are 'Hail Mary' efforts by colleges, CFO says**

US university students are up to their ears in debt. And, increasingly, so are many US colleges.

From small liberal-arts schools to giant universities, America's ivory towers are on a borrowing binge as part of an effort to spruce up their campuses and lure the next generation of students. In just the last five months, roughly 50 colleges have tapped investors to build student centers, refurbish dorms, and make-over academic buildings as well as refinance debt — to the tune of \$10 billion, according to data compiled by Bloomberg. That volume is more than double from the same time last year.

The fraught economics of higher education are leaving some institutions with an uncomfortable choice: take on more debt in the hope of attracting new students to campus — a bet that doesn't always work out — or risk being left behind in the race for a rapidly dwindling pool of high school seniors. Adding to the peril, borrowing threatens to raise the cost of college, which is already pushing close to \$100,000 a year at some institutions.

[Continue reading.](#)

## **Bloomberg Markets**

By Amanda Albright and Sri Taylor

May 22, 2024

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### **[S&P U.S. Not-For-Profit Health Care Rating Actions, April 2024](#)**

[View the S&P Rating Actions.](#)

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## **Fitch Rtgs to Review Exposure Draft Comments for U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria.**

On March 4, 2024, Fitch Ratings published an exposure draft for proposed revisions of its “U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria”. The comment period for feedback on the draft criteria ended on April 18, 2024.

Fitch is reviewing feedback received on the draft criteria report and expects to address comments received and publish the final criteria in 3Q24 or 4Q24. Fitch will publish any written responses it has received, including the name of the respondent, unless the response was clearly marked as confidential.

The exposure draft report details proposed revisions to Fitch’s methodology for assigning Issuer Default Ratings and instrument ratings to U.S. not-for-profit life plan communities (LPCs). LPCs offer independent living and at least one additional level of care, such as assisted living or skilled nursing. LPCs may also offer home and community-based services like home health and adult day care, either directly through affiliated entities.

The exposure draft published on March 4, 2024 is available at [www.fitchratings.com](http://www.fitchratings.com).

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## **Fitch: FAA Reauthorization Neutral for U.S. Airport Credit**

Fitch Ratings-New York-23 May 2024: The FAA Reauthorization Act of 2024 (the Act), recently signed into law, is neutral for U.S. airport credit, Fitch Ratings says. While the Act adds to annual levels of federal capital funding for airport infrastructure improvements, it is not likely to lead to significant changes to U.S. airport finances.

The Act, which reauthorizes the FAA for five years, allocates \$105 billion for the national aviation system and provides a number of enhancements targeting the operating and funding environment for airports, airlines, and the FAA, which was previously operating under short-term extensions since the prior authorization bill expired in 2023. Monies which support much of the federal aviation grants and operating activities are sourced from Airport & Airway Trust Fund, which in turn is funded by multiple aviation excise taxes. The federal General Fund also provides some supplemental

funding.

Positively, the Act increases Airport Improvement Program (AIP) funding to \$4.0 billion per year from \$3.35 billion, a nearly 20% boost to annual funding levels from the prior reauthorization bill. Airports receive funding under the AIP based on passenger volume that can be supplemented with discretionary funding. Smaller airports, including those serving general aviation purposes, will have increased priority to federal grant allocations. In addition, the Act requires the FAA to enhance its workforce development such as additional hiring and training its air traffic controller staff, with the goal of improving flight schedules and safety as traffic growth continues its strong post-pandemic recovery. U.S. airlines are signaling traffic for the summer of 2024 will reach new highs as air travel demand remains strong.

Conversely, the passenger facility charge cap of \$4.50 per flight segment that has been in place since 2000 remains unchanged. Increasing the cap was not anticipated but the fee still provides a critical source of funds that can support airport infrastructure investments.

While increased AIP funding will help defray airport capital budgets, most large and midsize airports will continue to heavily rely on debt to fund infrastructure linked to terminal and airfield projects.

Nationally, airport expansion and modernization capital program costs are rising for projects extending out over the next decade. This is particularly true for certain large-hub airports like LAX (\$15 billion), Metro Washington (\$10 billion) and San Francisco (\$12 billion). The additional funding under the Act will help offset some project cost escalation; however, much of these costs will be passed down to the airlines based on cost recovery rate setting methods via airline operating agreements.

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## **[More Than 70% of Surveyed Water Systems Failed to Meet EPA Cyber Standards.](#)**

**The agency says it will take certain enforcement actions in cases where there is imminent danger from a cyberthreat against water infrastructure.**

Over 70% of water systems surveyed since last September failed to meet certain security standards set by the Environmental Protection Agency, exposing them to cyberattacks that can cripple wastewater and water sanitation systems around the country, the EPA said Monday.

Some facilities have “critical” vulnerabilities spotted in recent EPA inspections, including default passwords that were used to log into platforms and other operational technology during first-time setup but were never updated with new credentials.

The figure was part of an [enforcement alert](#) issued by the agency urging water system owners and operators to shore up their networks’ security by taking inventory of their operational assets, conducting cybersecurity awareness training and transitioning certain systems off the internet, among other things.

[Continue reading.](#)

### **Route Fifty**

By David DiMolfetta,

MAY 21, 2024

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## **[Passenger Rail Keeps Chugging Forward During Infrastructure Week.](#)**

**Efforts to expand rail have reached significant milestones in recent weeks, from construction on the Northeast Corridor to new funding on Colorado's Front Range.**

At Route Fifty, we mark another Infrastructure Week with a look at the roll-out of passenger rail expansions nationwide. Rail has been a major focus for many state and local officials since President Joe Biden took office.

Biden, of course, famously commuted by train from Delaware to Washington, D.C., for decades while he was a U.S. senator. His passion for passenger rail has been on display while he's been in the White House, particularly with his 2021 infrastructure law including \$66 billion for rail improvements.

Many of those efforts have reached significant milestones in recent weeks, from construction on the Northeast Corridor to new funding on Colorado's Front Range.

[Continue reading.](#)

### **Route Fifty**

by Daniel C. Vock

MAY 17, 2024

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## **[S&P: EPA Emissions Rules Could Hamper Power Production Economics And Utility Credit Metrics](#)**

**Many U.S. electric utilities have made significant strides in reducing or developing plans to reduce power plants' carbon emissions.** However, the Environmental Protection Agency's (EPA) recently finalized rules covering existing coal plants and new natural gas plants could create financial and operational pressures for utilities relying on thermal generation resources, which might negatively affect credit metrics. Furthermore, the EPA's ongoing consideration of how to regulate emissions from existing natural gas plants adds to operational and financial uncertainty.

[Continue reading.](#)

16 May, 2024

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## **[Shiny New Things and Public Priorities.](#)**

## **COMMENTARY | The economic growth and civic pride benefits of new stadiums are not enough to compensate for the required public financial commitment.**

Just a few weeks after the Chicago Bears unveiled their [plans for a new lakefront stadium](#) with significant public funding, pushback and opposition continue to grow. Not only have the [media](#) and some public officials expressed skepticism about the scale and merits of the proposed “shiny new thing,” but even some of Mayor Brandon Johnson’s most vocal (and progressive) supporters seem perplexed about the mayor’s enthusiasm for the project.

Significant public funding for private development endeavors may make sense when there are significant public benefits to compensate for the public expenses, but in the present case, identifiable public benefits seem scarce. Adding 14 acres of green space for public and youth sports programs along the lakefront? Providing year-round access to new food and drink establishments, retail and other cultural attractions? Ensuring that the city “makes the cut” for the next list of top 25 cities for hosting major sporting events? Seems like a weak set of benefits for hundreds of millions of dollars in public funding.

In fact, considerable evidence and experience indicates that the economic impacts and public benefits of large, publicly subsidized stadiums are usually far less than projected. One recent [survey of over 130 studies of stadiums and other sports facilities](#) concludes that even taking intangibles like civic pride into account, “welfare improvements from hosting teams tend to fall well short of covering public outlays.” In other words, these public investments do not generate positive net returns. Of course, building new facilities can, in principle, generate economic development nearby, but some of that growth reflects re-located activity, not truly new activity. And hosting sporting events in a flashy new facility can contribute to civic pride, but not nearly enough to cover public outlays.

[Continue reading.](#)

### **Route Fifty**

By Paula Worthington

MAY 20, 2024

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## **[Riding the Waves: Five Trends Shaping Municipal Bond Markets in 2024](#)**

So far, 2024 has been an interesting year for fixed income investors. The mixture of economic uncertainty along with the Fed’s new ‘higher for longer’ message has thrown many bond investors for a loop. But even amid all the uncertainty, some interesting trends and themes have begun to take shape. This is particularly true for investors in the municipal bond space.

Those trends could shape returns and portfolio position for the back half of the year and into next.

That’s the gist according to new research from Lord Abbett. The asset manager points to five different themes that could shape the muni market. And in those themes, investors have a chance to score some great yields and income.

[Continue reading.](#)

**dividend.com**

by Aaron Levitt

May 23, 2024

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## **[Technological Advancement in Muni SMAs: Bloomberg Masters of the Muniverse](#)**

Higher for longer rates along with continued elevated muni issuance supply may mean attractive entry points for muni investors are here to stay for a bit longer. While reinvestment season is typically a slower time for new issuance, this year is an election year which may mean issuers will want to avoid the uncertainties that come with every election season. Though fund flows and rich ratios remain a concern, the asset class's ability to provide low-risk tax-exempt income remains a key feature, especially if inflation pressures increase.

Joining hosts Eric Kazatsky and Karen Altamirano on the May edition of Masters of the Muniverse is Nisha Patel from Parametric. In this month's episode we discuss the market outlook for the second half of the year and how technology overlays are driving Parametric's strategies to help maximize returns.

[Listen to audio.](#)

May 28, 2024

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## **[Munis See Biggest Sales Boom Since at Least 2013.](#)**

- **Borrowings by state and local governments are up 37%**
- **Cities aren't waiting for Fed interest rate cuts to borrow**

US states and local governments, undeterred by high interest rates, have propelled the municipal bond market to the busiest start to a year since at least 2013.

Muni-bond sales have hit \$183 billion so far in 2024, up 37% year-over-year, according to data compiled by Bloomberg. The haul so far this year is about \$50 billion higher than the same period in 2023, the figures show.

Government debt sales have remained light in recent years as cities avoided bond sales because they could lean on pandemic relief aid instead of selling bonds. The uptick in activity is a welcome reprieve for bankers, who had seen dealmaking slump since 2022.

[Continue reading.](#)

### **Bloomberg Markets**

By Aashna Shah and Amanda Albright

May 28, 2024

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## **[Munis Suffer Worst Week Since March 2020 as Supply Wave Weighs.](#)**

- **Ten-year muni yields surged 34 basis points this week**
- **Borrowers have sold over \$180 billion of bonds this year**

The \$4 trillion municipal bond market is wrapping up its worst week since early 2020 as an onslaught of issuance weighs on the debt of US states and cities.

Yields on 10-year state and local-government debt have jumped 34 basis points this week, to 2.99% on Friday, for the steepest weekly climb since March 2020, when the onset of the pandemic roiled financial markets, according to data compiled by Bloomberg.

The trigger, investors say, has been a burst of supply. Borrowers have issued more than \$180 billion in long-term municipal bonds this year, making the first five months of 2024 the busiest start to a year in more than a decade by volume, data compiled by Bloomberg show. Issuers trying to get ahead of the November US presidential election and potential changes in tax policy are driving the sales.

[Continue reading.](#)

### **Bloomberg Markets**

By Erin Hudson

May 24, 2024

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## **[S&P U.S. Public Finance Rating Activity, April 2024](#)**

[Download the S&P Report.](#)

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## **[Your Three Minutes In U.S. VRDOs: Regional Bank Exposure - S&P](#)**

[Read the S&P Report.](#)

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