

GFOA: Generative AI and Local Governments

Exploring potential uses, the speed of change, and the need for caution.

When he first heard news reports about ChatGPT and its powers to search the internet and create readable text, rhymes, and fanciful tales, Micah Gaudet immediately saw the use for entertaining his eight-year-old son with “corny dad jokes and little bedtime stories.”

But within weeks, as deputy manager of the fast-growing City of Maricopa, Arizona, he started imagining ways to use this newly available form of artificial intelligence (AI) in his work as deputy city manager and chief public safety officer.

[Download the GFOA report.](#)

Publication date: April 2024

Authors: Katherine Barrett and Richard Greene

A Range of Emerging Fiscal Risks Could Disrupt State Budgets.

Tomorrow’s demographic, environmental, and technological trends require planning and action today.

Crafting a state budget is a delicate balancing act in the best of times. Policymakers must estimate spending needs, predict revenue trends, and balance countless competing urgent priorities, all while maintaining a structurally balanced budget.

These demands can make it difficult for fiscal leaders to look beyond the needs of the immediate budget cycle and consider how major shifts in the status quo could disrupt their states’ fiscal future. But with major demographic, environmental, and technological changes on the horizon, states must find ways to look ahead and consider the potential fiscal impact of these new and emerging risks to ensure that they have time to plan for and manage these future budget challenges.

Demographic Shifts Pose Risks to State Budgets

States are likely to face significant demographic pressures in the coming decades. Baby Boomers continue to age out of the workforce, and the scale of this exit is unlikely to be matched with new workers because of declines in fertility and international migration. Still, some regions have seen significant recent population growth, driven by remote work flexibilities, refugee resettlement, or simply changes in people’s living preferences. The exact nature of these trends will vary from state to state, but policymakers need to understand how these shifts can affect their states’ economic and

fiscal future, both in terms of revenue and expenditures.

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ROUTE FIFTY

by PETER MULLER

APRIL 26, 2024

Many Large U.S. Cities Are In Deep Financial Trouble. Here's Why.

Municipal governments across the United States are looking to rein in spending as pandemic-era stimulus dries up and inflation lingers for longer than expected.

“Clearly there are significant capital needs across the U.S.,” said Michael Rinaldi, senior director at Fitch Ratings’ public finance group. The group issued a AA investment grade general obligation bond rating for New York City in March 2024.

The financial challenges within cities appear to be mounting despite high municipal credit ratings and robust demand for urban commodities like housing. For example, New York City had a total public debt of \$177.6 billion at the end of fiscal year 2022, according to researchers at Truth in Accounting, a nonprofit that partners with the University of Denver to promote transparency in public accounting. That translates into a per capita taxpayer burden of \$61,200, according to the group’s analysis.

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cnbc.com

APR 25 2024

EPA Issues PFAS Enforcement Discretion Policy Addressing Environmental Cleanup Liability: Spencer Fane

On April 19, 2024, the U.S. Environmental Protection Agency (EPA) released its [PFAS Enforcement Discretion and Settlement Policy Under CERCLA](#), addressing environmental cleanup liability for per- and polyfluoroalkyl substances (PFAS). The EPA’s issuance of the policy came just two days after the agency formally announced it would [list two PFAS, perfluorooctanoic acid \(PFOA\) and perfluorooctanesulfonic acid \(PFOS\), as “hazardous substances”](#) under the nation’s Superfund law, the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), a decision with long-term consequences for site closure and contaminated site cleanup.

In light of [CERCLA’s joint-and-several strict liability framework](#), the EPA’s decision comes as no surprise as an attempt to mollify the impact on passive potentially responsible parties (PRPs). For many businesses, however, the EPA’s policy will feel like the agency has cut off their hand, only to give them a few fingers back. Indeed, whether a company is considered passive or a major PRP for the release of PFAS into the environment, is an issue that will take years – and even decades –

before the liability contours under CERCLA and the PFAS Enforcement Discretion Policy come into focus.

Entities Entitled to PFAS Enforcement Discretion

According to the EPA, the purpose of its PFAS Enforcement Discretion Policy is to “focus on holding accountable those parties that have played a significant role in releasing or exacerbating the spread of PFAS into the environment, such as those who have manufactured PFAS or used PFAS in the manufacturing process, and other industrial parties. For purposes of this policy only, these parties are referred to as major PRPs.” As a result, the agency has signaled that it does not intend to seek cleanup costs or response actions from the following types of PRPs:

[Continue reading.](#)

Spencer Fane LLP – Andrew C. (Drew) Brought

April 29, 2024

[S&P U.S. Public Finance Housing Rating Actions, First-Quarter 2024](#)

[View the Rating Actions.](#)

25 Apr, 2024

[Fitch: Southwest Airlines’ Service Reduction Does Not Affect U.S. Airport Credit](#)

Fitch Ratings-New York/Austin-29 April 2024: The recent decision by Southwest Airlines to discontinue service at four airports based on cost cutting actions stemming from weaker than expected financial performance and aircraft delivery delays will not affect the credit profiles of affected Fitch-rated airports, Fitch Ratings says.

First quarter earnings reports from the leading U.S. domestic carriers indicate divergent trends in performance, resulting in mixed near-term expectations for profitability and fleet growth. Those airlines with weaker results are evaluating their network strategies given the challenges to stay profitable in some markets as elevated costs and aircraft delivery constraints stunt the level of growth they had anticipated. This introduces uncertainty to some U.S. airports aiming to build on their previous progress now that the pandemic rebound is largely considered over.

Southwest (BBB+/Stable) recently announced that it will end service at Houston George Bush Intercontinental Airport, Texas (part of Houston Airport System [HAS], subordinated obligations A+/stable); Syracuse Hancock International Airport, New York (SYR) (A-/stable); Bellingham International Airport, Washington; and Cozumel International Airport, Mexico.

Southwest had only initiated services at SYR within the past three years and the impact of its exit on SYR should be modest as Southwest represents less than 10% of the airport’s enplanements in fiscal 2023. SYR hit a record 1.3 million enplanements in fiscal 2023 and has a strong financial profile with

a relatively small debt burden, negative leverage profile, and a hybrid agreement that provides for sufficient cost recovery. The airport has seen a healthy level of competition from legacy airlines as well as a number of low-cost carriers such as Breeze Airways, Frontier, and Allegiant (BB-/Negative), among others.

Similarly, HAS's credit profile will not be affected by Southwest's departure as the airline has a small presence at Bush Intercontinental. HAS has low traffic volatility over longer term horizons and very limited competition due to its large dual-hub airport system (George Bush Intercontinental and William P. Hobby). Southwest will continue to serve the Houston system out of Hobby, a top 10 airport for SWA where it maintains more than a 90% market share. The desirability of HAS's strong metropolitan service area helps mitigate the system's exposure to carrier concentration and connecting traffic.

Southwest's decision was preceded by JetBlue Airways' (B+/Negative) announcement in March that it will discontinue service at Kansas City International Airport (A/Stable) and Stewart International Airport and cut routes at other airports such as Fort Lauderdale-Hollywood International Airport (A+/Stable) and Los Angeles International Airport (AA/Stable). While airlines anticipate strong travel demand in 2024, they are facing higher labor and jet fuel costs, coupled with chronic aircraft issues, including delivery delays of certain Boeing models. In this environment, Fitch expects smaller and cost-focused carriers in particular will continue to evaluate their networks and assess the need to cease or reduce service at select airports that are less profitable.

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Rockefeller Hires Ex-Invesco Portfolio Managers for Muni Roles.

Rockefeller Asset Management hired three former Invesco Ltd. portfolio managers as it builds out its fixed-income offerings.

Scott Cottier, Mark DeMistry, and Michael Camarella will help launch new high-yield muni

investment strategies for the firm. They start in mid-June, will be based in Rochester, New York, and report to Alex Petrone, director of fixed income.

The New York-based asset management division of Rockefeller Capital Management has \$14 billion in assets under supervision. Its fixed-income business manages approximately \$5 billion on behalf of investors.

“There are compelling opportunities in both high-yield and investment-grade municipal bonds today, and we remain committed to expanding our offering to enhance our ability to deliver alpha through actively managed strategies,” Petrone said in a statement on Monday.

Cottier, DeMitry and Camarella worked together at Oppenheimer Funds, as part of the Oppenheimer Rochester brand, before the company was acquired by Invesco. Cottier served as portfolio manager on one of the company’s top-performing high-yield muni funds there.

At Invesco, all three were portfolio managers on numerous muni-bond funds, including the Invesco California Municipal Fund.

Bloomberg Markets

By Amanda Albright and Martin Z Braun

April 22, 2024

[Municipal Bonds: Warming to Prepaid Gas Bonds](#)

These corporate-backed, tax-exempt issues represent a fast-growing segment of the municipal bond market. We think they offer an attractive opportunity.

“Prepaid gas” may make people think of the fuel-purchase cards sold at their local convenience store, but the term also applies to bonds issued in a lesser-known, but rapidly growing, segment of the municipal bond market. Here, we explain what they are, how they work, and why we believe they can present attractive opportunities in an actively managed tax-free bond portfolio.

What are prepaid gas bonds?

These are tax-exempt bonds issued by a municipal authority that enters contracts to purchase and supply natural gas or electricity to municipal utilities. While they pay tax-free income like a municipal bond, prepaid gas bonds have the backing of a corporate credit, typically a large bank or insurance company.

How does the transaction work?

[Continue reading.](#)

lordabbett.com

By Donald A. Annino, Wells Chen

April 23, 2024

Bonds Look Enticing Even If Rate Cuts Come Later Than Expected.

Even if higher-for-longer interest rates are applying downward pressure on bond prices — and conversely, upward pressure on yields — bonds still look enticing. Vanguard has a few bond-focused exchange-traded funds (ETFs) that are worth considering.

The prolonging of rate cuts is adding a speed bump to the equities rally, and likewise, bonds. While the Federal Reserve continues to fish for econometrics that provide the green light to institute rate cuts, the environment is still ripe for picking bonds as long as investors know in which corners of the market to look.

“Still, fixed income experts see the rate climate improving if the Fed manages to push through a cut or two later in the year,” Barron’s reported. “Yields are attractive, and if the economy stays healthy, credit metrics should hold up, supporting prices in corporate debt. All that could make for good opportunities within the bond universe, particularly in investment-grade corporate, junk bonds, and floating-rate bank loans. Municipal bonds also are attractive.”

“Adding exposure to high-quality bonds is a good idea for investors sitting in cash,” said Matthew Palazzolo, senior investment strategist at Bernstein Private Wealth Management. “You can get an attractive level of income and price appreciation.”

As the report mentioned, corporate debt presents a compelling option to fixed income investors. One fund to look at is the Vanguard Short-Term Corporate Bond Index Fund ETF Shares (VCSH). The fund seeks to track the performance of a market-weighted corporate bond index with a short-term dollar-weighted average maturity. It employs an indexing investment approach designed to track the performance of the Bloomberg Barclays U.S. 1-5 Year Corporate Bond Index. As of April 12, it offers a 30-day SEC yield of 5.24%.

A Treasury and Muni Option to Consider

Those who don’t want the additional credit risk of corporate debt can stay within the confines of safer Treasuries via the Vanguard Short-Term Treasury ETF (VGSH). It offers ideal exposure to short-term Treasury notes, focusing on maturity dates that fall within one to three years. Its 30-day SEC yield stands at 4.80%.

The Barron’s report also mentioned munis, so another fund to consider is the well-diversified Vanguard Tax-Exempt Bond ETF (VTEB). The fund 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. Its 30-day SEC yield is 3.49%.

ETFTRENDS.COM

by BEN HERNANDEZ

APRIL 23, 2024

Municipal CUSIP Request Volumes Rise for Second Consecutive Month.

NORWALK, Conn., April 18, 2024 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for March 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 monthly increase in request volume for new municipal identifiers, while requests for corporate identifiers slowed on a monthly basis.

North American corporate requests totaled 6,752 in March, which is down 13.0% on a monthly basis. On a year-over-year basis, North American corporate requests closed the month up 9.4%. The monthly volume decline was driven by a 19.9% decrease in request volume for U.S. corporate debt identifiers, a 12.4% decrease in request volume for short-term certificates of deposit (CDs) with maturities of less than one year, and a 14.1% decrease in request volume for long-term CDs with maturities of more than one year.

The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – rose 3.2% versus February totals. On a year-over-year basis, overall municipal volumes are up 5.6%. Texas led state-level municipal request volume with a total of 92 new CUSIP requests in March, followed by New York (65) and Wisconsin (62).

“We’ve seen steady, strong demand for new municipal identifiers throughout the first quarter of this year,” said Gerard Faulkner, Director of Operations for CGS. “While there has been quite a bit more volatility in the corporate segment, particularly around corporate debt and CDs, the municipal space is clearly one to watch as we make our way through the first part of the year.”

Requests for international equity CUSIPs rose 53.1% in March and international debt CUSIP requests rose 29.2%. On an annualized basis, international equity CUSIP requests are down 3.8% and international debt CUSIP requests are up 102.0%.

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

SLFRF Portal Updates for April 2024.

The State and Local Fiscal Recovery Funds (SLFRF) portal has three significant updates that recipients should be aware of as they get ready to file this April.

The portal is the mechanism that municipalities use to file either annual or quarterly reports on obligations and expenditures for their respective municipality.

This reporting cycle, the U.S. Department of Treasury has instituted three new pages that recipients will have to navigate through. The rest of the portal will be familiar to recipients.

[Continue reading.](#)

National League of Cities

by Michael Gleeson

APRIL 15, 2024

Mintz: EPA Has Now Listed Two PFAS as Hazardous Substances Under CERCLA. Hold Onto Your Hats.

Less than ten days after setting drinking water standards for six of the hundreds of chemicals known collectively as PFAS, EPA has now identified two of those PFAS that have been widely used for decades, PFOA and PFOS, as hazardous substances under CERCLA.

The media will report this as breaking news, and it is monumental but it is most certainly not a surprise. As EPA's reminds us, EPA promised to do exactly this in its [PFAS road map issued in the fall of 2021](#). It is nothing short of extraordinary that EPA is only about six months later than it hoped in doing these things.

On April 10, EPA reported its [conclusion](#) that **zero** is the concentration of these PFAS in drinking water that does not present a risk to human health, so we can now expect an avalanche of CERCLA litigation over the most minute concentrations of these PFAS in water that might be a drinking water source (the enforceable drinking water limit for each of these PFAS is 4 parts per **trillion**).

[Continue reading.](#)

Mintz – Jeffrey R. Porter

April 19, 2024

PFOA and PFOS are CERCLA Hazardous Substances; Prepare Accordingly

The U.S. Environmental Protection Agency (EPA) released its [Pre-Publication Notice of a Final Rule](#) designating Perfluorooctanoic Acid (PFOA) and Perfluorooctanesulfonic Acid (PFOS), along with their salts and structural isomers, as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), also known as Superfund. According to EPA, this designation is based on significant evidence, including epidemiological and toxicological studies, that PFOA and PFOS, when released into the environment, may present a substantial danger to public health or welfare or the environment.

Release Reporting

The rule requires releases of PFOA and PFOS that meet or exceed the reportable quantity (1 pound) within a 24-hour period to be reported to the National Response Center, state or tribal emergency response commission, and the local or Tribal emergency planning committee for the areas affected by the release. This reporting requirements applies to both continuous and non-continuous releases.

PFAS Enforcement Discretion Policy Announced

Simultaneous to the final designation of PFOA and PFOS as CERCLA hazardous substances, EPA issued a [PFAS Enforcement Discretion and Settlement Policy Under CERCLA](#) that provides direction on how EPA will exercise its enforcement discretion regarding per- and polyfluoroalkyl substances (PFAS) contamination in the environment. According to the policy, EPA "will focus on holding responsible entities who significantly contributed to the release of PFAS into the environment, including parties that manufactured PFAS or used PFAS in the manufacturing process, federal

facilities, and other industrial parties.”

[Continue reading.](#)

Michael Best & Friedrich LLP – Leah Hurtgen Ziemba, Todd E. Palmer, David A. Crass, Joseph Louis Olson and Eric J. Callisto

April 19 2024

S&P U.S. State Ratings And Outlooks: Current List

[View the Current List.](#)

19 Apr, 2024 | 16:01 United States of America

Fitch U.S. Public Finance Rating Actions Report and Sector Updates: First-Quarter 2024

Positive rating momentum accelerated in 1Q24 for the U.S. Public Finance (USPF) sector, which saw upgrades strongly outpace downgrades. Fitch Ratings upgraded 45 USPF ratings and downgraded 13 during the quarter, compared to 35 and 20, respectively, in 4Q23. Upgrades represented approximately 4.2% of rating activity in the quarter, while downgrades represented approximately 1.2%. Three of eight USPF 2024 sector outlooks are deteriorating, with the remaining two at neutral relative to 2023.

[ACCESS REPORT](#)

Wed 17 Apr, 2024

S&P U.S. Not-For-Profit Health Care Outstanding Ratings And Outlooks As Of March 31, 2024

[View the S&P Ratings and Outlooks.](#)

19 Apr, 2024 | 16:12 United States of America

S&P U.S. Higher Education Rating Actions, First-Quarter 2024

S&P Global Ratings took 20 rating actions and maintained 73 ratings in the U.S. not-for-profit higher education sector during the first quarter of 2024. The 20 rating actions include one rating withdrawal and are broken out as follows.

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18 Apr, 2024

S&P: U.S. Charter School Rating Actions, First-Quarter 2024

During the first quarter of 2024 (Jan. 1-March. 31), S&P Global Ratings changed its rating or revised the outlook on 25 U.S. charter schools. S&P Global Ratings also assigned four new ratings and maintained 37 ratings across the sector. The 29 rating actions are broken out as follows:

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15 Apr, 2024

Public Funding for Sports Stadiums: A Primer and Research Roundup

Team owners looking to build or revamp big league sports stadiums often seek public funds in the hundreds of millions of dollars. But research conducted over decades indicates these investments almost never lead to massive economic gains for host cities.

In June 2023, Nevada legislators approved \$380 million in public funding for a 30,000-seat ballpark for the Oakland A's, who are expected to throw their first pitch in Las Vegas in 2028 after Major League Baseball owners approved the franchise move in November.

It's the latest public commitment of hundreds of millions of dollars for a professional sports stadium. In the U.S., most franchises in the four major sports leagues — MLB, the National Football League, the National Basketball Association and the National Hockey League — are valued at over \$1 billion.

Across those leagues there have been eight new stadiums or arenas built since 2020, at a total construction cost of roughly \$3.3 billion, according to a September 2023 [paper](#) in the Journal of Policy Analysis and Management. About \$750 million in public funds went toward those construction projects, the paper finds.

[Continue reading.](#)

The Journalist's Resource

by Clark Merrefield | April 10, 2024

Simplifying Federal Grant Compliance for All Municipalities.

NLC is making great strides to improve grant compliance for all municipalities. Out of the American Rescue Plan's State and Local Fiscal Recovery funds, NLC realized that many municipalities struggled with compliance and reporting. For those who did OK and wanted to seek a competitive grant, the order might have seemed too tall.

Over the past two years, NLC has been working with the Majority Staff of the Senate Homeland

Security and Government Affairs Committee (HSGAC) on drafting a bill that would help municipalities better navigate the federal grant process.

A representative from HSGAC joined the [Finance, Administration, and Intergovernmental Relations \(FAIR\)](#) federal action committee at NLC's 2023 Congressional Cities Conference to gather feedback from members about the challenges they are navigating with grants. That feedback was carefully incorporated into the Streamlining Federal Grants Act of 2023 (S. 2286 and H.R.5934).

[Continue reading.](#)

National League of Cities

by Michael Gleeson

APRIL 12, 2024

[Tiny Texas City Repels Russia-Tied Hackers Eyeing Water System.](#)

- **Water utility attacks in Texas tied to notorious Sandworm**
- **Other recent breaches on water systems linked to China, Iran**

When Mike Cypert got the call that utilities in remote Texas communities were being hacked, he raced across his office to unplug the computer that ran his city's water system.

Hale Center is a dusty, cotton-growing burg of 2,000 about five hours drive northwest of Dallas. After the alert from a software vendor in January, Cypert, the city manager, said he found thousands of attempts to breach Hale Center's firewall, some coming from an internet address that traced back to St. Petersburg, Russia.

Within minutes of the discovery, Cypert said he reported the episode to agents from the FBI and US Department of Homeland Security, who were already looking into related incidents in nearby Texas towns. One of the hacks caused a water tank in another city to overflow.

[Continue reading.](#)

Bloomberg Technology

By Jake Bleiberg

April 19, 2024

[WSJ: Liberal Cities, Conservative Towns Seek Supreme Court's Help on Homelessness](#)

Local leaders claim power to keep parks and sidewalks clear, but a lower court said punishing people who have nowhere else to go is unconstitutional

A Supreme Court case on the [limits of vagrancy laws](#) is making allies of rural towns and big cities at

their wits' end over [homelessness](#).

The court on Monday will hear arguments on how far municipalities can go in prohibiting camping on public property, laws that police employ to clear homeless people from parks and streets. A federal appeals court in San Francisco has found such measures [unconstitutional](#) when enforced against those with nowhere to go, prompting an appeal backed by many of the cities facing housing crises, including Los Angeles; Portland, Ore.; and San Francisco.

Monday's case originated far from the urban centers typically associated with homelessness. It comes instead from Grants Pass, Ore., where in March 2013, officials convened a community roundtable over "vagrancy problems" afflicting the small city along the Rogue River. "The point," said one city councilor, "is to make it uncomfortable enough for them in our city so they will want to move on down the road."

[Continue reading.](#)

The Wall Street Journal

By Jess Bravin

April 21, 2024

[The Surprising Political Difficulty of Promoting Infrastructure Safety.](#)

For politicians, there are lots of incentives in favor of new construction projects but not much for maintenance. That can lead to deadly results, as the bridge collapse in Baltimore demonstrated.

Following the March 26 collapse of Baltimore's Francis Scott Key Bridge, many pressing questions remain about the tragedy that shocked a nation and took the lives of six people. This includes the most obvious: Could this accident have been avoided?

In the coming months, the National Transportation Safety Board will conduct an exhaustive technical investigation to determine the exact sequence of events that led to the ship's power failure and the catastrophic ensuing collision with one of the main pillars that held up the Key Bridge. But the board's final report will only tell part of the story. The full explanation involves a complex mixture of maritime and civil engineering — and politics.

When the Key Bridge was completed in 1977, it represented a momentous engineering achievement. Its main 1.6-mile span was the second longest continuous truss bridge in the United States. Prior to its collapse, an average of 30,000 vehicles crossed each day. Given the enormous volume of maritime cargo that passed beneath the Key Bridge every year, its span is notable for what it lacks — reinforced protective barriers around the main support columns, often called fenders.

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[governing.com](#)

OPINION | April 18, 2024 • Kevin DeGood, Center for American Progress

3 Tips for Short-Term Land-Use Planning.

COMMENTARY | As populations grow and real estate requirements change, cities or counties should regularly evaluate their mix of land use designations so they get the kind of development they can live with long term.

Like most cities, Rancho Cucamonga, California, has a detailed, 20-year general plan that establishes a common ground for making decisions about the future. But because of the community's evolving needs, values or long-term issues, such as climate change, health and wellness or land use, that plan is regularly reviewed.

One of the most important elements in the general plan is land use designation, which specifies the type, intensity and distribution of land used for a variety of public and private purposes, such as housing, business, industry, open space, education, public buildings and waste disposal facilities. Proper land use is critical because it shapes other significant planning decisions involving transportation, electricity, water demand and more.

As populations grow and real estate development requirements change, cities or counties must regularly evaluate their mix of land use designations to properly classify and distinguish the various land uses needed within their jurisdiction and allowable by code. This evaluation and its impact on land use planning directs how, where and what kind of development may occur. Plotting the distribution of these designations is referred to a land use map, controls or table.

[Continue reading.](#)

Route Fifty

By John R. Gillison

APRIL 19, 2024

Muni Funds Lose Most Cash Since 2022 With Fed Delaying Cuts.

- **Investors pull \$1.5 billion from muni funds in last week**
- **This week's outflow 'unlikely to be a one-off': Barclays**

Investors yanked money from municipal bond funds at the fastest clip in more than a year as they sold assets to pay income taxes and tried to protect returns amid signals that the Federal Reserve will keep rates higher for longer.

Municipal bond funds saw an outflow of \$1.5 billion during the week ended Wednesday, according to LSEG Lipper Global Fund Flows data, the largest retreat since December 2022. The exodus broke eight consecutive weeks of inflows, spurring debate about whether this week would start an outflow cycle.

Tax season is one reason for the selling given investors often dump tax-exempt municipal holdings to pay what they owe around the April 15 filing deadline, said Kathleen McNamara, senior municipal strategist at UBS Global Wealth Management. The other factor is volatile and rising Treasury yields that have pushed "skittish" retail investors to the sidelines, she said.

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh and Nic Querolo

April 19, 2024

Industry Veteran Sees 2024 Muni Sales Hitting as High as \$440 Billion.

- **He now expects a gain of as much as 15%, instead of 5%**
- **Issuance to near normal levels after 'abnormally low' period**

A strong start to the year is stoking veteran municipal bond investor John Miller's prediction for sales in the \$4 trillion market for state and local government debt.

Municipal issuance will rise 10% to 15% to as high as \$440 billion this year, the head and chief investment officer of the high-yield muni credit team at First Eagle Investments said. When the year started, he had expected a 5% increase to \$400 billion but surging first-quarter sales led him to revise his estimates upward.

"So far we've come out of the gates a bit on the high end," Miller said. "I am being influenced, I have to admit, by the first quarter."

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh

April 18, 2024

Beyond the Safety Net: Understanding the Hidden Risks of General Obligation Municipal Bonds

Driven by their tax-free interest and current high yields, municipal bonds have continued to be in the spotlight. More investors have continued to add the bond variety to their portfolios to take advantage of these benefits. And, increasingly, they are choosing so-called general obligation (GO) bonds. Issued by state and local governments, these bonds are backed by the taxing authority of municipalities, giving them an aura of safety.

But just how safe are they when compared to other municipal bond varieties?

According to investment manager Thornburg, perhaps not as safe as investors think. While they feature lower rates of default, the carnage tends to be worse when they do have issues. For investors building out their municipal bond portfolios, it pays to be diversified.

[Continue reading.](#)

LA Unified School District Seeks to Shed Build America Bonds.

- **LAUSD expects to experience 2.5% annual enrollment declines**
- **District is selling \$3 billion of refunding bonds next week**

The Los Angeles Unified School District is heading to Wall Street next week to lower the cost on some of its outstanding debt, a bond sale that comes amid a push to align spending with declining enrollment that was cited by Moody's Ratings when it raised its issuer credit rating recently.

LAUSD - as the second largest public school system in the US is known - is selling \$3 billion of general obligation refunding bonds beginning Tuesday through a negotiated sale led by Bank of America, Jefferies and RBC Capital Markets. It will use the proceeds to replace \$2.65 billion of taxable Build America Bonds with lower-yielding, tax-exempt securities.

Moody's on Wednesday said it had raised the district one step to Aa3 from A1 for its conservative budgeting practices aimed at reducing spending to accommodate future reductions of federal pandemic-aid and continuing declines in enrollment. It assigned an Aa2 rating to the \$3 billion bond offering.

"School districts across the state and country are increasingly having to cut spending; enrollments have declined post-Pandemic which reduces capitated state aid payments and Federal Pandemic aid has been exhausted," said Dora Lee, director of research at Belle Haven Investments. "You also have increasing wage pressures to contend with."

The sale is part of a wave of planned refundings to replace taxable debt sold under the Obama-era Build America Bonds program with tax-exempt securities. A provision in such bonds allows state and local governments to buy back their debt before it comes due if an extraordinary event occurs. That means existing holders could incur losses on the outstanding bonds when the issuer buys them back at a price close to par, and may also have trouble replacing the securities in their portfolio. Such redemptions have been contentious, even sparking a potential legal dispute.

LAUSD announced a hiring freeze at the end of 2023, and it has said it is considering closing or consolidating schools. Moody's said it upgraded the district, in part, because it improved its general fund balance by negotiating favorable wage agreements, cutting costs and maximizing the operating efficiency of individual schools.

"The ratings were upgraded because of the district's consistent financial performance driven by conservative budgeting practices, adopted policies and multiyear planning that will support satisfactory finances as the district spends down its final pandemic-related grants and adjusts to slowed state aid growth," Moody's said in a release.

California is home to the most billionaires in the US as well as more than 1 million millionaires and levies a rate of at least 13.3% on its highest earners. That creates ample appetite for tax-exempt debt in the state as wealthy investors look to shield their income from high taxes and lock in yields

before interest rate cuts.

“Demand for tax exempt paper is even more appealing after everyone is reminded of their tax liabilities at tax time,” Lee said.

Bloomberg Markets

By Maxwell Adler

April 19, 2024

[Bloomberg: Muni Funds Lose Most Cash Since 2022 With Fed Delaying Cuts.](#)

- **Investors pull \$1.5 billion from muni funds in last week**
- **This week's outflow 'unlikely to be a one-off': Barclays**

Investors yanked money from municipal bond funds at the fastest clip in more than a year as they sold assets to pay income taxes and tried to protect returns amid signals that the Federal Reserve will keep rates higher for longer.

Municipal bond funds saw an outflow of \$1.5 billion during the week ended Wednesday, according to LSEG Lipper Global Fund Flows data, the largest retreat since December 2022. The exodus broke eight consecutive weeks of inflows, spurring debate about whether this week would start an outflow cycle.

Tax season is one reason for the selling given investors often dump tax-exempt municipal holdings to pay what they owe around the April 15 filing deadline, said Kathleen McNamara, senior municipal strategist at UBS Global Wealth Management. The other factor is volatile and rising Treasury yields that have pushed “skittish” retail investors to the sidelines, she said.

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh and Nic Querolo

April 19, 2024

[Industry Veteran Sees 2024 Muni Sales Hitting as High as \\$440 Billion - Bloomberg](#)

- **He now expects a gain of as much as 15%, instead of 5%**
- **Issuance to near normal levels after 'abnormally low' period**

A strong start to the year is stoking veteran municipal bond investor John Miller's prediction for sales in the \$4 trillion market for state and local government debt.

Municipal issuance will rise 10% to 15% to as high as \$440 billion this year, the head and chief investment officer of the high-yield muni credit team at First Eagle Investments said. When the year

started, he had expected a 5% increase to \$400 billion but surging first-quarter sales led him to revise his estimates upward.

“So far we’ve come out of the gates a bit on the high end,” Miller said. “I am being influenced, I have to admit, by the first quarter.”

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh

April 18, 2024

[Climate Risks Fuel Niche Market in Muni-Bond Funds.](#)

- **Specially tailored accounts target flood, power projects**
- **Green impact performance has roughly tracked broader market**

US states and municipalities face a daunting challenge — and added costs — girding against weather that’s becoming more extreme. Now a niche market is springing up for investors who are looking to target their dollars toward projects aimed at mitigating those risks.

A growing cadre of investors is turning to separately managed accounts, or SMAs, working with advisers to design individualized portfolios that allow them put their money toward projects aimed at abating flooding and other potential hazards.

“A lot of the strategies are newer in the grand scheme of things relative to standard funds or vehicles,” Lauren Kashmanian, director of portfolio management and responsible investing at Parametric Portfolio Associates, an advisory firm specializing in customization. She’s seen increased demand from clients interested in investing in projects like clean drinking water and renewable energy.

[Continue reading.](#)

Bloomberg Green

By Lauren Coleman-Lochner

April 16, 2024

[From Climate to Cyber to Politicization, Mega Trends Impacting Municipal Market.](#)

We are at the initial stages of a major paradigm shift that has significant implications for the municipal market over the next five to 10 years. A number of societal mega-trends will present material challenges for the municipal market. These include climate change, growing federal debt, shrinkage of the workforce, the impact of remote work, cybersecurity attacks, and political

polarization.

This commentary will discuss each of these trends and their interrelationship. In combination, these trends will likely increase expenses and decrease revenue resulting in growing challenges for municipalities.

Whether it be unprecedented droughts, forest fires, floods, tornadoes, wind, or heat waves, it is evident that climate change has begun in a dramatic fashion. How quickly it will escalate is unknown but that it will escalate is a near certainty, absent a quick dramatic change in human activity. As climate change escalates there will be even more damage to infrastructure, farmland, coastal properties, utilities, homes, and businesses. The cost of addressing these damages will likely rise significantly.

According to the National Oceanic and Atmospheric Administration, in 2023 there were 28 separate billion-dollar climate disaster events, the highest count of record. The cost of these events was \$92.9 billion, and this number may rise by several billion as more costs are identified.

As these costs escalate, the Federal Emergency Management Agency (FEMA) will not be able to pay the costs of all of these climate-driven events and will limit their spending by putting more responsibility on localities to contribute to paying these costs. The Disaster Recovery Reform Act of 2018 requires FEMA to increase the thresholds for paying relief and encourages FEMA to place adequate responsibility on state and local governments. Insurance companies are already refusing to provide property insurance in at risk areas such as coastal properties.

In addition, as interest costs on the federal debt continues to grow in unprecedented ways there will be even less of a possibility or desire for the federal government to fund own climate change costs. The Congressional Budget Office projects that interest on the ever-expanding federal budget will grow from \$870 billion in 2024 to \$1.6 trillion in 2034. That is an 87% increase and is a whopping 22% of all tax revenues. The payments for social security, Medicaid and other non-discretionary budget items will leave a shrinking percentage of the federal budget for all discretionary items. Overall, the federal deficit will grow to 116% of GDP by 2034. The money just will not be there to pay the significant increase in climate change costs that will arise around the country.

There will be growing pressure for state and local governments to provide the funds to address climate catastrophes. As more events occur and the federal government pays less of the remedial costs, localities will have to pay the costs so that their communities and economies can be sustained. This will be a matter of political and economic survival. In addition, as the federal government pays less for mitigation projects, localities will increasingly see it in their interests to pay for these projects to avoid even greater costs in the future.

Where will localities get the monies for climate change mitigation and remediation? It will have to be either from raising taxes or from issuing more bonds. Increasing taxes is always difficult politically but it will also cause other problems. If taxes in a locality are too high more people will move to another location. This in turn would undermine the tax base overall to raise the needed funds.

The more likely and more often used tool will be municipal bonds. States and municipalities are very likely to increase their debt load substantially over the next decade due to climate change. This increased debt load will result in varying degrees of fiscal stress as debt service payments as a percentage of the overall local budgets will increase. This could result in rating downgrades in some places which would in turn result in higher interest rates on debt. The U.S. territories (which are all islands) and coastal states are particularly at risk.

As expenses increase as projected above, revenue is likely to decline. This will be due to a number of mega-trends. One such trend is an unprecedented shrinking workforce resulting in lower economic growth. The baby boomer generation has come of age and people have and are retiring. At the same time subsequent generations have had significantly fewer children. And the present generation has an even lower birth rate. The result is a shrinking workforce.

And historically a major driver of growth has been new flows of immigrants into the workforce. Recently the only reason for a modest increase in population growth has been immigration. But immigration has become a controversial issue with some wanting to severely limit immigration, not just illegal entry into our country.

If and as the workforce declines resulting in lower economic growth, the tax base of municipalities will decline as well. The revenue base will shrink.

In addition, due to changes in work habits in reaction to COVID-19, major cities have experienced a serious loss of their tax base. This has occurred due to loss of population, lower values of real estate (especially office buildings) resulting in less property tax, and decreased foot traffic producing less sales tax revenue. Absent a change in remote work, major cities will continue to face these revenue challenges.

Certain mega-trends like cyberattacks and political polarization have the potential to negatively impact either or both of expenses and revenue. As cyberattacks grow with a greater sophistication, revenue collection may be disrupted, and expenses will rise to both defend against such risk and/or address an actual attack. Political polarization could result in political paralysis, which may result in the loss of revenue opportunities and/or in greater expenses. For example, if a city council or state legislature is divided and unable to reach compromises on important budget decisions, such as how to mitigate and remediate climate change, difficult decisions may not be made. This could ultimately be quite costly.

Of course, there are potential mitigants to each of these trends. Countries may successfully cut back carbon emission enough to reverse climate change. Congress may reverse the direction of the federal deficit. Shrinkage of the workforce may be offset by productivity increases without creating excessive unemployment. Workers may go back to work five full days a week. Costly but sophisticated safety systems may protect government entities from cyberattacks. Political polarization may subside. We think it is highly unlikely that most, if any, of these mitigants will occur.

The next five to 10 years will present unprecedented challenges for states and municipalities. In combination, these trends will present serious obstacles to maintaining fiscal health and they exist independent of economic cycles. They will likely be exacerbated by and exacerbate economic downturns. Localities that understand these trends and develop policies to counter them will be in the best position to address them effectively.

By David L. Dubrow

BY SOURCEMEDIA | MUNICIPAL | 04/09/24 10:26 AM EDT

[Citi's Muni Exit Creates Liquidity Test If Downturn Hits Market.](#)

- **Nuveen's Blair says effect may be seen 'when it's risk off'**

• **BlackRock's Carney sees support in Citi bankers at new firms**

The recent departure of Citigroup Inc., a perennial top-10 underwriter of municipal debt, from that industry may eventually pose a challenge in the next muni downturn, said officials at two of the largest market participants.

"We haven't had an event that really presses on liquidity in the market in quite some time," Sean Carney, head of municipal strategy at BlackRock Inc., said at a public finance conference hosted by the Bond Buyer in Austin on Tuesday. He added that the hiring of many former Citigroup muni bankers and traders by other firms is a help to the industry.

The bank was a leader in the \$4 trillion market for US state and local debt for decades, working on financing projects as large as the rebuilding of the World Trade Center site and the installation of 65,000 streetlights in Detroit. When the unit slumped in recent years, Chief Executive Officer Jane Fraser determined it didn't fit with the firm's vision of becoming the premier bank for large, multinational corporations.

Citigroup's withdrawal from the market so far has had a "very marginal" effect on liquidity, David Blair, managing director at Nuveen LLC, said in a panel discussion at the conference. "Let's wait and see until we get that event when it's risk-off," he said.

Blair noted that a market downturn is when the absence of a liquidity provider could be felt. Banks often step in and buy bonds when prices are volatile. The muni market has posted a 1.25% loss so far this year, according to Bloomberg indexes.

Both Blair and Carney said that municipal bonds still look attractive despite high valuations.

It's "rates over ratios," Carney said, adding that tax-free securities still offer competitive yields compared to alternatives after adjusting for taxes. A 10-year tax-exempt bond sold by CommonSpirit Health in March had a taxable equivalent yield of 5.6%, he said.

"This is what people are looking at in the market," he said.

This year's increase in yields brings a "tremendous" investment opportunity within municipals, Nuveen's Blair said. His team likes high-yield municipals, given the risk of a recession is low, and bonds maturing in five to 10 years because of selling pressure in that part of the market.

BAB Brouhaha

During the panel, Blair touched on investors' pushback against refinancings of Build America Bonds, saying he's not confident they have a case against the refinancings. A group of bondholders have hired a law firm to challenge a recent deal by the University of California.

Carney said he thinks the issuance of new deals could slow down and be pushed into the second half of the year and continue into 2025.

"It throws some sand in the gears of the timing of these deals," he said.

The BlackRock strategist also said he's focused on discussions with advisers about shifting out of cash, anticipating that once the Federal Reserve starts cutting rates, front-end yields will fall.

Regarding overall credit quality among munis, Carney said he's seeing a "divergence" among states that rely on income taxes, like California, compared to states that rely on taxes on consumption, like

Texas.

Bloomberg Markets

By Amanda Albright and Danielle Moran

April 16, 2024

[Congress Resolves Threat of a Government Shutdown with Mixed Outcomes for Local Government Priorities.](#)

Six months into the new Fiscal Year and following four continuing resolutions to keep the government running beyond the October 1st start of Fiscal Year 2024, Congress has approved all twelve annual spending bills, which have been signed into law.

A Best-Case Scenario

For local governments, passing all twelve bills through two legislative packages was the best-case scenario in an unusually contentious appropriations cycle. The expectation for mixed results on funding levels for programs important to local governments was present from the start of the appropriations cycle due to growing pressure within Congress to address the national debt following trillions in unbudgeted emergency spending related to stabilization and recovery from the COVID-19 emergency. And this is indeed the case for FY24.

However, the looming threat of a year-long continuing resolution that locked in FY23 spending levels for all of FY24 and the worse threat of sequestration were both overcome. A year-long CR would have meant new programs would go without FY24 funding, and existing programs could not account for the costs of inflation. The possibility of sequestration was imposed by an earlier debt limit deal to incentivize Members of both parties with the threat of an automatic 1% cut across all federal agencies. Over time, that evolved into the threat of a strikingly deep 9% to 10% cut for nearly all federal grants local governments are eligible to receive due to reinterpretations of the debt-ceiling law by Congressional and White House budget authorities. NLC member advocacy was crucial in preventing both these worse outcomes.

[Continue reading.](#)

National League of Cities

by Michael Wallace

APRIL 2, 2024

[New Federal Program Provides Grants for Eligible P3 Transportation Projects: Holland & Knight](#)

The Build America Bureau (Bureau) of the U.S. Department of Transportation (DOT) released on March 11, 2024, a Notice of Funding Opportunity for the new Innovative Finance and Asset

Concession Grant Program (IFACGP).

The IFACGP is authorized by the Bipartisan Infrastructure Law that was passed by Congress and signed into law on Nov. 15, 2021. The Bipartisan Infrastructure Law establishes the funding for Federal Transit Administration (FTA) programs through authorizing legislation that amends Chapter 53 of Title 49 of the U.S. Code. The legislation reauthorizes surface transportation programs for fiscal years (FY) 2022 to 2026 and provides advance appropriations for certain programs. The Bipartisan Infrastructure Law also authorizes up to \$108 billion to support federal public transportation programs, including \$91 billion in guaranteed funding.

What Is the IFACGP?

The IFACGP is a unique opportunity for eligible public entities to receive financial support to facilitate and evaluate public-private partnerships (P3s) and explore opportunities for innovative financing and delivery of eligible transportation infrastructure projects.

[Continue reading.](#)

Holland & Knight Alert

by Michael L. Wiener | Denise Ganz | Vlad Popik | Lisa Ann Barkovic

APRIL 3, 2024

'Artificial Intelligence Is Not Innovation,' It's a Tool. How Governments Use It Will Vary.

Some state and local governments may embrace AI wholly, while others may take a more measured approach. Either way, experts said, the competition to be first is moot.

Announcing its ambitions to be a “global hub” for artificial intelligence, California was the first state to regulate its use by state agencies. Boston was one of the first cities to issue guidelines for how its workers can use generative AI. And Tempe, Arizona, turned heads last June when it enacted what is believed to be the first policy on AI’s ethical use.

Recognizing its economic and cost-savings potential, everybody wants to be first to harness AI. But while the race to embrace the new technology may leave some government leaders feeling like they are already lagging behind, they needn’t worry so much, according to David Graham, chief innovation officer for the city of Carlsbad, California, and co-chair of the Civic Innovation Executive Certificate program at the Technology and Entrepreneurship Center at Harvard University.

Graham said it’s still too early in policy development for governments to measure themselves against each other. What’s more, every government’s AI needs and uses will be different, making any sense of competition moot.

[Continue reading.](#)

ROUTE FIFTY

by CHRIS TEALE

APRIL 12, 2024

Fitch: More Bond Issuance Likely for U.S. Community Development Financial Institutions

Fitch Ratings-Chicago/New York/San Francisco-10 April 2024: U.S. community development financial institutions (CDFIs) will increasingly turn to bond markets to raise capital as investor interest in the sector continues to grow, according to Fitch Ratings in a new report.

Increased appetite also means more questions from investors as to the economic sustainability of CDFIs in a broader market still replete with elevated interest rates and high inflation. Another variable is whether CDFIs can count on philanthropy and other traditional sources of funding (among them loan and investment income and bank loans) for ongoing support. The economic landscape presents both challenges and opportunities for CDFIs, according to Senior Director Karen Fitzgerald.

“Despite current economic headwinds, Fitch expects CDFIs to sustain their affordable lending missions while maintaining strong financial profiles,” said Fitzgerald. “Successful CDFIs will adapt to the changing financial landscape by leveraging their strong equity positions to diversify their funding sources, and by increasingly turning to bond markets and impact investors to raise capital.”

Broader market volatility has not impeded CDFIs’ strong underwriting, minimal loan defaults and low charge-off rates thus far. “Though similar in structure and function to banks and other financial institutions, CDFIs are public benefit entities with little incentive to take risk or maximize profit and are rather incentivized to preserve their equity and to operate in a sustainable manner,” said Fitzgerald.

The rapid growth in the number of CDFIs also raises investor question as to the potential impact of potential new entrants to the market. ‘The need for the services provided by CDFIs continues to exceed available resources, such that new entrants do not typically pressure demand,’ said Fitzgerald.

‘What Investors Want to Know: CDFI Loan Funds’ is available at www.fitchratings.com.

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Fitch: Skilled Nursing Beds Weigh on LPC Operating Performance

Fitch Ratings-New York-10 April 2024: Skilled nursing will continue to weigh on life plan communities' (LPCs) performance in 2024, even as skilled nursing occupancy improves and labor challenges begin to ease, Fitch Ratings says. LPCs with more independent living (IL) units relative to skilled nursing facility (SNF) beds will perform better than SNF-heavy LPCs given their ability to spread costs to IL business lines to cover SNF-related costs.

SNF-heavy LPCs, considered by Fitch as those LPCs where SNF beds comprise more than 20% of total units, experienced operational stress in Fitch's rated portfolio in 2023, with labor costs, inflation, tighter reimbursement and heightened government oversight pressuring skilled nursing expenses and revenues.

Of the eight LPCs downgraded in 2023 due to operational challenges (compared to downgrades driven by debt issuance), half were SNF-heavy LPCs, even though these LPCs make up just over a quarter of Fitch's rated portfolio. For these LPCs, SNF beds as a percentage of total units ranged from 23% to 61%. SNF-heavy LPCs also compose half of the 10 LPC ratings currently on Negative Outlook or Rating Watch Negative due to operational stress.

Many Fitch-rated LPCs have reduced their SNF beds in response to staffing and revenue pressures. Others have reduced external admits to focus, often exclusively, on taking care of their own residents. This active management of SNF beds, along with higher monthly IL rate increases close to or above inflation, helped LPCs absorb SNF-related operating pressures in 2023.

A leading indicator of the easing of the inflationary and staffing pressures has been lower monthly IL rate increases in 2024 in the 4% to 7% range, compared with 6% to 10% (and higher in some cases) in 2023. These IL rate increases should support the performance of LPCs in 2024, especially as IL occupancy continues to rise. The investment-grade (IG) median for IL occupancy was 92.5% in 2023, up from 90.7% in 2022.

However, SNF-heavy LPCs will continue to lag in performance, as the effect of IL rate increases, while helpful, remain diluted given the SNF exposure. SNF-heavy LPCs have been less able to reduce their SNF exposure and have a limited ability to raise rates, given that Medicaid and Medicare, which set non-negotiable rates, are a major component of SNF revenue, compared to IL revenue, which is private pay and has more pricing power. Three out of the four downgraded SNF-heavy LPCs were already rated below IG (BIG), indicating an already weaker operating risk assessment.

The IG SNF occupancy median improved in 2023 to 82.2% from 72.4% in 2022. The BIG median also improved but at 81% trailed the IG median. Preliminary 2024 data shows SNF occupancy continuing to rise. In response to improving SNF occupancy, some LPCs have brought SNF beds back on line, although not to pre-pandemic levels, and have begun to rebuild their skilled nursing staffing as monthly IL rate increases have helped cover staffing costs.

We expect LPCs to continue to redesign care to focus more on assisted living/memory care and home health care, all of which are largely private pay. Further IL expansions are likely, given the solid demand for IL units, especially larger units, and the support IL revenue has provided to LPC operational performance.

Fitch Ratings published an exposure draft that proposes revisions to its rating criteria for U.S. not-for-profit LPCs. One of the proposals is to cap the revenue defensibility assessment of SNF-heavy

LPCs at 'bbb'. Fitch is actively soliciting market feedback on the proposed criteria by April 18, 2024. Please see [Fitch Ratings Publishes Exposure Draft for U.S. Life Plan Communities Rating Criteria](#) for details.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

[Fitch: Government Hiring is Boosting US Job Growth](#)

Fitch Ratings-London/New York-11 April 2024: Government sector job growth averaged 2.7% yoy in 2023, the highest yoy growth rate since 1990, according to Fitch Ratings. Fitch expects this trend to continue through 2024 as the recovery in government employment continues to catch up with post-pandemic private sector employment.

"Government sector payroll accelerated in 2023, largely on the back of strong catch-up hiring from state and local governments. The post-pandemic recovery for government payroll did not begin until much later in 2021 because most government educational institutions maintained a remote only system with minimal staff throughout 2020," said Olu Sonola, head of U.S. economic research.

Full recovery of all government sector jobs lost to the pandemic occurred in 2H23, more than a year later than full recovery in the private sector. Despite the recent acceleration in government sector job growth, a significant recovery gap remains between the government and the private sector.

The momentum in government sector job growth was maintained during 1Q24, as government sector job growth averaged 64,000, about 23% of average job growth during the quarter.

For more information, a special report titled "Economics Dashboard: Government Hiring Will Continue to Boost U.S. Job Growth in 2024" is available at www.fitchratings.com

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[Fitch: Immigration Boosts U.S. Labor Force and All State Populations](#)

Fitch Ratings-New York-11 April 2024: Growth in immigration increased for all states in 2023 and boosted U.S. labor force growth, Fitch Ratings says in a new report. Immigration has significantly contributed to job and economic growth, and momentum is likely to continue through 2024, but the risk of oversupply increases as labor demand softens.

Increases in the U.S. labor force post-pandemic have been led by foreign-born workers, which represented 19% of the U.S. labor force at YE 2023, higher than 17% as of YE19. The foreign-born labor participation rate is 66%, more than the native-born participation rate of 62%. The growth in the number of women in the labor force is due to foreign-born women, as the recovery of native-born women in the labor force largely stagnated in 2023.

The Congressional Budget Office (CBO) estimates net immigration averaged 0.9% of the U.S. population in 2022 and 2023, higher than the Census Bureau's estimate of 0.3%, and projects a net immigration surge of approximately 14 million over five years (2022-2026). A similar increase previously took 15 years (2005-2019).

[Continue reading.](#)

[Fitch Places Various Utility System Revenue Bond Ratings Under Criteria Observation.](#)

Fitch Ratings - Austin - 08 Apr 2024: Fitch Ratings has placed the following ratings Under Criteria Observation (UCO) in relation to the publication on April 2, 2024 of Fitch's revised rating criteria titled 'U.S. Public Finance Local Government Rating Criteria':

- Anaheim Housing and Public Improvements Authority, CA water system revenue and refunding bonds;
- Anaheim Public Financing Authority, CA water revenue bonds;
- California Municipal Finance Authority, CA (city of Anaheim) water revenue bonds;
- City of Chicago, IL second lien water revenue and refunding bonds;
- City of Chicago, IL second lien wastewater transmission revenue and refunding bonds;
- City of Milwaukee, WI sewerage system revenue bonds.

Fitch will review the ratings designated as UCO as soon as practicable, but no later than six months from the date of the criteria release.

[Continue reading.](#)

'Valuable and Largely Overlooked:' Interest in Virtual Power Plants Grows

Virtual power plant programs can be a cost-effective way to support a strained electric grid at a time when huge projected electric demand increases loom.

Just about every week, Shawn Grant, who works for Salt Lake City-based Rocky Mountain Power, gets an inquiry from another utility looking for information about the company's Wattsmart battery program.

"We want to do something. ... How did you guys do it?" Grant, the company's customer innovation manager, says he's often asked. "We're always fielding those questions."

[The program](#) pays customers with solar who opt to install battery storage systems for the ability to use that stored electricity to help balance flows on the electric grid.

[Continue reading.](#)

Route Fifty

By Robert Zullo,
New Jersey Monitor

APRIL 11, 2024

Powering Down: To Prevent Wildfires, States Try Turning Off the Grid.

COMMENTARY | The trend started in California, but now more states are opting to shut off power to parts of the grid in extreme conditions.

The U.S. power grid is the largest and most complex machine ever built. It's also aging and under increasing stress from climate-driven disasters such as wildfires, hurricanes and heat waves.

Over the past decade, power grids have played roles in wildfires in multiple states, including California, Hawaii, Oregon and Minnesota. When wind speeds are high and humidity is low, electrical infrastructure such as aboveground power lines can blow into vegetation or spark against other components, starting a fire that high winds then spread.

Under extreme conditions, utilities may opt to shut off power to parts of the grid in their service areas to reduce wildfire risk. These outages, known as public safety power shutoffs, have occurred mainly in California, where wildfires have become larger and more destructive in recent decades.

[Continue reading.](#)

Route Fifty

By Kyri Baker,
The Conversation

APRIL 12, 2024

[New Bill Would Convert Unused Government Buildings Into Affordable Housing.](#)

California Reps. Adam Schiff and Jimmy Gomez cosponsored legislation that would direct the Housing and Urban Development Secretary to help refashion certain federal, state and local government properties into affordable residential rental projects.

New House legislation introduced Tuesday would aim to repurpose underutilized government facilities into affordable housing projects in an effort to boost residential use development.

The [Government Facilities to Affordable Housing Conversion Act](#) — cosponsored by Reps. Adam Schiff and Jimmy Gomez, D-Calif., — would task the Housing and Urban Development Department, General Services Administration and the Office of Management and Budget with identifying vacant or underused federal, state and local government properties that may be suitable for residential conversion.

The three agencies would analyze the federal real property footprint, whether it's being utilized and should be reduced and which properties could be eligible for conversion in a report to Congress.

[Continue reading.](#)

Route Fifty

By Carten Cordell,
Managing Editor, Government Executive

APRIL 5, 2024

[EPA Limits PFAS in its New Drinking Water Rules: Phelps Dunbar](#)

This week, the U.S. Environmental Protection Agency (EPA) finalized its National Primary Drinking Water Regulation (NPDWR) for per- and polyfluoroalkyl substances (PFAS) to limit the legal concentration of both several individual PFAS and total PFAS compounds in drinking water nationwide, using its authority under the federal Safe Drinking Water Act.

PFAS, or “forever chemicals,” are a class of long-lasting chemical compounds that accumulate in the environment and in many living organisms over time. PFAS have been linked to adverse health conditions, including increased cholesterol, changes in liver enzymes, immune system deficiencies, decreases in birth weight, and kidney and testicular cancer. While manufacturers stopped using many of the most harmful PFAS compounds years ago, thousands of PFAS are still used in a wide variety of products ranging from aqueous fire-fighting foams and ski waxes to fast-food packaging due to their water resistance, stain resistance, thermal regulation, and surfactant properties.

EPA set maximum contaminant level standards (MCLs) for perfluorooctanoic acid (PFOA), perfluorooctanesulfonic acid (PFOS), perfluorononanoic acid (PFNA), perfluorohexane sulfonate (PFHxS), and GenX chemicals in parts per trillion (ppt).

[Continue reading.](#)

Phelps Dunbar LLP - Sophie D. Gray

April 12 2024

[E.P.A. Says ‘Forever Chemicals’ Must Be Removed From Tap Water.](#)

The rule applies to a family of chemicals known as PFAS that are linked to serious health effects. Water utilities argue the cost is too great.

For the first time, the federal government is requiring municipal water systems to remove six synthetic chemicals linked to cancer and other health problems that are present in the tap water of hundreds of millions of Americans.

The extraordinary move from the Environmental Protection Agency mandates that water providers reduce perfluoroalkyl and polyfluoroalkyl substances, known collectively as PFAS, to near-zero levels. The compounds, found in everything from dental floss to firefighting foams to children’s toys, are called “forever chemicals” because they never fully degrade and can accumulate in the body and the environment.

The chemicals are so ubiquitous that they can be found in the blood of almost every person in the United States. A 2023 government study of private wells and public water systems detected PFAS chemicals in nearly half the tap water in the country.

[Continue reading.](#)

The New York Times

By Lisa Friedman

April 10, 2024

What to Know About the EPA Limits on ‘Forever Chemicals’ in Drinking Water and Your Health.

Health experts have linked PFAS, also found in consumer products and fish, to a range of health effects

In the eight decades since they were created, so-called forever chemicals have reached remote corners of the Arctic and populous cities and rural areas around the world. The chemicals have been detected in the open ocean and the tissue of animal species, as well as the drinking water that millions of Americans consume each day.

Also known as PFAS, or perfluoroalkyl and polyfluoroalkyl substances, they can stay in the environment for years without breaking down.

Nearly all people in the U.S. are believed to have some level of PFAS in their blood, according to the Centers for Disease Control and Prevention. That is because these harmful chemicals can be found in a range of products, from cosmetics and fish, to food packaging and nonstick cookware, in addition to the water supply.

[Continue reading.](#)

The Wall Street Journal

By Nidhi Subbaraman

Updated April 10, 2024

Where Do Utility Legal Settlements for PFAS Stand?

With EPA’s National Primary Drinking Water Regulation for PFAS now [finalized](#), the recently announced 3M and DuPont settlements, stemming from the ongoing Aqueous Film-Forming Foam (AFFF) Multi-District Litigation (MDL) promise access to billions of dollars to cover PFAS treatment and monitoring expenses for water systems across the country.

Faced with significant costs of treatment for PFAS contamination, over the past few years many water systems have filed lawsuits against PFAS manufacturers, seeking to hold the companies responsible for water pollution. These lawsuits have been grouped into the [AFFF MDL](#) that eventually led to the proposed PFAS class action settlements.

An MDL is a consolidated legal process in which multiple lawsuits filed by public water providers, property owners, personal injury plaintiffs, and sovereigns (such as states, territories, and tribes) from across the country have been grouped together. All the lawsuits in the AFFF MDL claim that the plaintiffs have been negatively impacted by contamination stemming from the use of AFFF, a PFAS-containing firefighting foam, as well as other PFAS products. In an effort to resolve some of these legal claims, DuPont and its related companies, Chemours and Corteva, offered U.S. public water providers a settlement totaling \$1.1859 billion in June 2023. Shortly after the DuPont settlement was announced, 3M agreed to pay U.S. public water providers up to \$12.5 billion over 13 years in settlement funds. DuPont’s settlement received final approval in February 2024, while 3M’s

received final approval in March.

[Continue reading.](#)

Water Finance and Management

By Ken Sansone & Mike DiGiannantonio

APRIL 8, 2024

EPA Finalizes Highly-Anticipated Rule to Regulate PFAS in Drinking Water.

On April 10, the U.S. Environmental Protection Agency (EPA) announced a final National Primary Drinking Water Regulation (NPDWR), establishing Maximum Contaminant Levels (MCLs) for six per- and polyfluoroalkyl substances (PFAS). The long-awaited regulation has drawn pushback from the water sector over the cost increases it may impose on utilities and ratepayers.

The final rule will regulate PFOA and PFOS to MCLs of 4 parts per trillion (ppt). It will also regulate PFHxS, PFNA, GenX to 10 ppt and will mandate water systems to measure for a mixture of at least two of the four chemicals PFHxS, PFNA, GenX and PFBS using a hazard index. The final NPDWR requires:

- Public water systems must monitor for these PFAS and have three years to complete initial monitoring (by 2027), followed by ongoing compliance monitoring. Water systems must also provide the public with information on the levels of these PFAS in their drinking water beginning in 2027.
- Public water systems have five years (by 2029) to implement solutions that reduce these PFAS if monitoring shows that drinking water levels exceed these MCLs.
- Beginning in five years (2029), public water systems that have PFAS in drinking water which violates one or more of these MCLs must take action to reduce levels of these PFAS in their drinking water and must provide notification to the public of the violation.

[Continue reading.](#)

WATER FINANCE & MANAGEMENT

BY ANDREW FARR

APRIL 11, 2024

Dismantling Misconceptions: The Stability of High Yield Municipal Bonds

When it comes to the high-yield bond space, high-yield corporate bonds have certainly earned their “junk” moniker. Filled with high default rates, volatility, and potential payback complications, investors treading here truly are taking on plenty of risk. But high-yield municipal bonds may tell a different story.

They may not be that risky at all.

The high-yield municipal sector comes in many flavors, each with its own set of rules and covenants. But the thing is, certain investors are still able to get very high yields at lower risk than their corporate rivals. In the end, high munis may not be that risky at all.

Revenue-Backed Bonds

When investors think about municipal bonds, they often think about general obligation (GO) bonds. Here, the State of New York or the City of Houston issues debt to help fund their operations. The ability to repay these bonds is directly tied to the municipality's ability to tax, either through payroll, property, sales, use or other means.

[Continue reading.](#)

dividend.com

by Aaron Levitt

Apr 10, 2024

Uncle Sam's Debt Woes Create Opportunity for Muni Buyers.

'If you think taxes are going up, munis and the muni exemption are a great place to be,' Nuveen's head of municipals says.

Uncle Sam is digging a hole that only taxpayers can fill. That's why advisors are plugging their high-net-worth clients' portfolios full of tax-free municipal bonds.

The Congressional Budget Office said this week that the federal budget deficit for the first six months of fiscal 2024, ended in March, was \$1.064 trillion. For the full year of 2024, the CBO sees the budget deficit totaling \$1.5 trillion, a decrease from the \$1.7 trillion deficit in 2023 that was the third-largest in American history.

Like it or not, those bills are going to have to be paid. And that means the folks down in Washington will be figuring out ways to hike taxes however and wherever they can, on top of selling new bonds to pay for the old ones.

Since interest income from munis is exempt from federal income tax and munis issued within a client's home state are generally exempt from state and local taxes, muni bonds will increasingly become a haven for the well-heeled as taxes rise. And while the market has seen explosive growth in Treasury and sovereign issuance, the same can't be said on the muni side.

Meanwhile, outside the nation's capital, the country's municipalities are showing strong credit fundamentals, said Dan Close, head of municipals at Nuveen.

"Right now, state and local governments have \$290 billion on their balance sheets from five rounds of COVID finance," he said. "They are prepared to take anything that comes our way in an economic downturn."

Close added that the rating agencies have upgraded munis by a factor of 4 to 1 over the past three years. On the other hand, the nation's credit rating is heading in the other direction, with Fitch downgrading the country's long-term credit rating last August to AA+ from AAA.

"If you look at Biden's initial budget, it was taking taxes from 37 to 39.6 percent at the federal level and from 3.8 to 5 percent for the Medicare surcharge," he said. "So if you do think taxes are going up, munis and the muni exemption are a great place to be."

Elsewhere in Washington, over at the Federal Reserve, Close sees a maximum of three rate cuts this year. If and when they arrive, he sees that as a bullish sign for munis, where income levels remain high.

"You're getting paid right now to wait," he said. "On an average portfolio of AA-minus, intermediate duration, you're getting in excess of 6% on a taxable-equivalent yield, and more than 9% for high yield."

Trent Leyda, CEO of SpirePoint Private Client, agrees, saying taxes for high-net-worth individuals can be complicated, therefore tax-free municipal bonds are usually used for higher-tax-bracket taxable accounts.

"The yields tend to be lower than what you can get on high-quality corporate bonds or Treasury bonds," said Leyda. "However, the tax-equivalent yield is usually at parity with taxable bonds. It is always advisable to understand the credit quality, the interest-rate sensitivity and the underlying corporate health of all bond issues."

All that said, Tom Graff, chief investment officer at Facet, sees municipal bonds as "extremely expensive" right now compared to taxable bonds.

"A typical 5-year, high-quality muni bond yields about 2.6 percent to 2.7 percent, while the 5-year Treasury yields 4.55 percent," he said. "If you are in the highest federal tax bracket of 37 percent, the Treasury would yield 2.87% after paying taxes on the income. That's a bit higher than the tax-free muni yield. If your tax bracket is anything lower than that, munis are an even worse deal."

investmentnews.com

By Gregg Greenberg

April 10, 2024

[Munis Offer Benefits Beyond Tax-Free Income.](#)

Municipal bonds are lauded for the tax-free income they can provide to fixed income investors. A closer look under the hood shows the tangible impact muni sales can provide to the communities that benefit from the funding.

"Municipal bond issuers are responsible for building and supporting the physical infrastructure and the public goods and services that enable citizens to participate more in an inclusive economy," an [Alliance Bernstein report](#) said. The report noted the U.S. muni bond market comprises roughly \$4 trillion. That can help fund their respective goals for local communities.

"Challenges like supplying clean water and improving access to quality healthcare can both be tackled through environmentally, socially, and financially productive investments in communities and institutions," the report added.

Of course, the prime benefit of munis is the tax-free income they can offer that's beneficial for investors in higher income tax brackets. Rather than opt for a variety of muni bond holdings, an easier way is via one ETF: the well-diversified Vanguard Tax-Exempt Bond ETF (VTEB).

The fund 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.

Of course, a prime goal for fixed income investors, especially in a year in which rate cuts could happen, is extracting the highest yield in the current macroeconomic environment. To that note, VTEB brings a yield of 3.39% (as of April 2).

A Short-Term Bond ETF Solution

The anticipation of rate cuts puts investors on notice that they may need to lock in rates now before the Federal Reserve loosens monetary policy. To mitigate rate risk, a short-term solution is an option. And if investors want to maintain exposure to municipal debt, Vanguard has a solution.

Investors will want to take a closer look at the Vanguard Short-Term Tax-Exempt Bond ETF (VTES), which can also offer the aforementioned tax benefits. The fund tracks the S&P 0-7 Year National AMT-Free Municipal Bond Index. That index is designed to balance the need for tax efficiency with the need for tax-exempt yield. This balance can translate to potentially higher yields than those afforded by competing strategies, for an appropriate level of duration risk.

As of April 2, the 30-day SEC yield of VTES is 2.95%.

ETF TRENDS

by BEN HERNANDEZ

APRIL 10, 2024

[BlackRock: Municipal Issuance Eclipsed Expectations](#)

Municipals deliver strength ahead of seasonal shift

- Municipals posted marginally negative performance and lagged Treasuries in March.
- The transition back to net positive supply acted as a considerable drag throughout the month.
- Continued seasonal headwinds warrant patience and caution in April.

[Continue reading.](#)

by Patrick Haskell, Sean Carney of BlackRock, 4/8/24

[Morningstar: Is Now the Time for Munis?](#)

Here are three municipal-bond funds we like.

Municipal bonds' challenges could provide an opportunity for investors. Those challenges were acute in 2022, when rising interest rates from a low base led to severe downward repricing of bonds. The Morningstar US Municipal Bond Index lost 9.2%, while muni funds experienced record outflows of \$120 billion as investors had no appetite for assets that bore interest-rate risk.

The muni market historically recovers in equitylike fashion after a downturn like 2022, but this time was different. Interest-rate volatility and fears around a potential recession lingered in 2023, and performance and flows remained muted for most of the year. Through October of last year, munis were on pace for a second-consecutive year of losses for the first time since 1981 until the Morningstar US Municipal Bond Index rallied 9% during 2023's final two months and finished the year in positive territory.

[Continue reading.](#)

Morningstar

Thomas Murphy, CFA

Apr 9, 2024

New ETF Looks to Profit from Municipal Bonds.

A new ETF is trying to capture profits in the municipal funds space.

BondBloxx's Joanna Gallegos is behind the IR+M Tax-Aware Short Duration ETF (TAXX) — which launched less than a month ago.

"When you think about municipal bond portfolios, you really want people to think beyond them and look for the relative value of after-tax income," the firm's co-founder and COO told CNBC's "ETF Edge" on Monday.

Gallegos sees actively managed municipal bond exchange-traded funds as an income-generating opportunity in a high rate environment. She expects healthy returns even if the Federal Reserve starts to cut interest rates this year.

According to the BondBloxx website, almost 62% of TAXX's holdings are in municipal bonds. Its five largest muni holdings by state as of Thursday were Illinois, Pennsylvania, New Jersey, New York and Alabama.

The ETF also includes exposure to corporate and securitized bonds. The firm states the fund's mixed-bond approach presents a "wider opportunity" to increase after-tax total returns. FactSet describes the fund as "tax efficient" — balancing strong after-tax income opportunities with capital preserved through both municipal and taxable short-duration fixed income securities.

"Right now, the portfolio's tax-equivalent yield is close to 6%. It's about 5.88 as you look at it," Gallegos said. "It's just the year to be thinking about taxes."

As of Friday, TAXX is down 0.2% since its March 14 launch date.

cnbc.com

by Emily Glass

APR 6 2024

[Get Involved with GFOA's Utility Finance Forum.](#)

The Utility Finance Forum (UFF) is a group of GFOA members who work for utility organizations and municipalities that operate utilities. The UFF provides a platform for members to discuss topics such as rate setting, enterprise accounting, asset management, and regulations.

[LEARN MORE](#)

[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 March) \$100.2 billion, +25.2% Y/Y
- Trading (as of March) \$12.4 billion ADV, -3.6% Y/Y
- Outstanding (as of 4Q23) \$4.1 trillion, +0.5% Y/Y

[Download xls](#)

[Fitch Publishes US State Governments and Territories Criteria to Replace US Tax-Supported Criteria.](#)

Fitch Ratings-New York-02 April 2024: Fitch Ratings has released its U.S. Public Finance State Governments and Territories Criteria, which replaces its U.S. Public Finance Tax-Supported Criteria from May 2021. Concurrently, Fitch has also released its U.S. Public Finance Local Government Rating Criteria.

The new criteria report sets out Fitch's methodology for assigning new ratings and monitoring existing ratings for debt issued by or on behalf of U.S. state governments and territories.

The key criteria elements remain consistent with those of the prior report. There is no effect on outstanding ratings.

Primary changes include:

-Elimination of references to local government credit analysis;

- Clarification that these criteria cover territories;
- Clarification of Fitch's analysis of linkage of ratings with the U.S. sovereign rating (including our general expectation that U.S. state government and territory ratings would be no more than three notches above the U.S. sovereign rating);
- Removal of the outdated pension contribution benchmark, which has become less useful;
- Changes approach for debt supported by an absolute and non-cancellable covenant to pay debt service to be consistent with the Issuer Default Rating, provided that revenues supporting the issuer's covenant to pay debt service are broad-based and controllable.

The updated criteria report is available at www.fitchratings.com.

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Additional information is available on www.fitchratings.com

[S&P: The Recovery Route For U.S. Transportation Sectors Is Likely To Be Slow](#)

The industry that makes it possible to move people and things—U.S. transportation infrastructure providers—could be stuck in the slow lane for a while. Standard & Poor's Ratings Services believes that the largest sectors—ports, airports, and toll roads—will likely deliver weak operating and financial results into 2010. Moreover, in our view, the timing and strength of a recovery may vary widely for these sectors and their issuers. In sum, we think it could take years for business to return to 2008 levels.

Generally, we have observed that transportation demand improves with the economy, with some lag. Typically, we see port activity bounce back first as sales of consumer goods stimulate shipping, followed by airports and toll roads as people travel more with improvement in employment and incomes. Already, we have seen that the rate of erosion in all three areas has slowed. And Standard & Poor's Chief Economist David Wyss believes the recession may have ended in September.

[Continue reading.](#)

29 Mar, 2024

[Elite College Credit Ratings Take a Hit From Struggling Hospital Systems.](#)

- **Growing academic health-care systems squeeze schools' finances**

- **Hospitals continue to struggle with higher costs for labor**

Like other major universities, the University of Southern California has poured resources into expanding its health system. But it's coming at a cost.

Moody's Ratings downgraded USC a notch to Aa2 last month, citing underperformance from its growing health system. Similarly, the agency lowered its outlook for Emory University to negative in January, citing "current and expected future weak operating performance stemming largely from Emory Healthcare."

The moves reveal a difficult reality: The medical complexes that burnish universities' reputations and bring in significant revenue are also becoming a drag on financial performance. The credit impact on USC, a marquee school that saw almost 82,000 applicants for its incoming freshman class, reflects both the growing importance of health-care revenue at many universities and the significant pressures facing even renowned hospital systems whose resources draw far-flung patients.

[Continue reading.](#)

Bloomberg Markets

By Lauren Coleman-Lochner

April 8, 2024

[S&P U.S. Public Finance Rating Activity, March 2024](#)

[View the S&P Rating Activity.](#)

[Free Registration Required]

[S&P 'AAA' Rated U.S. Municipalities: Current List](#)

[View the Current List](#)

4 Apr, 2024

[S&P 'AAA' Rated U.S. Counties: Current List](#)

[View the Current List.](#)

[S&P 'AAA' Rated U.S. School Districts: Current List](#)

[View the Current List.](#)

Public-Sector Workforce Returns to Pre-Pandemic Levels, but Gaps Persist

After shedding nearly 1 million jobs, staffing levels are now higher than at the start of 2020. But severe shortages remain in several fields such as nursing, public safety and education.

In Brief:

- There are more state and local workers now than at the start of the pandemic.
- However, several job categories remain difficult to fill due to a dramatic drop in the workforce pool.
- Governments are growing more concerned with skills and training.

When one nurse is late for their shift or calls out sick, other nurses have to stay later and work longer. Recruiting nurses is always a challenge — unemployment in the field is less than 2 percent — but the task was made more difficult by the loss of 100,000 nurses who left the workforce during the pandemic.

[Continue reading.](#)

governing.com

by Zina Hutton

April 5, 2024

Billions in Earmarks Headed to States and Cities.

The funding comes despite conservative opposition to the federal government paying for specific local projects.

As part of the spending packages Congress passed last week to avoid a government shutdown, roughly \$14 billion will be headed for nearly 7,000 state and local projects through [earmarks](#), according to a tally by Kentucky Republican Sen. Rand Paul's office.

While those receiving the money say earmarks will help communities deal with an array of issues from increasing the number of salmon on Alaska's coast to addressing urban blight in Detroit, they are strongly opposed by some conservatives, including Paul, who considers them "wasteful spending."

In part, Paul objects to spending tax dollars when the nation is \$1.6 trillion in debt. He also argues that local governments, and not the federal government, should be covering the \$1.2 million cost of Rhode Island's bike path renovation.

[Continue reading.](#)

ROUTE FIFTY

by KERI MURAKAMI

APRIL 1, 2024

Munis Post Rare 0.0% Return in March as Fed Keeps Waiting to Cut.

- **Local debt underperformed Treasuries, corporate bonds**
- **Fed expects to begin lowering rates 'at some point this year'**

With the bond market still struggling to recover from some of the worst losses in decades, tax-exempt debt delivered what counts these days as good news: In March, investors didn't lose so much as a penny.

In turns out, they didn't make anything either: The municipal bond market returned exactly 0.00%.

Investors will be closely watching economic data for clues as to when the Federal Reserve may begin cutting rates, which will help determine if the muni market's flat returns extend into this month. An uptick in tax-exempt issuance to refinance old Build America Bonds could improve muni performance.

[Continue reading.](#)

Bloomberg Markets

By Nic Querolo and Skylar Woodhouse

April 3, 2024

First Issue of GFOA's Public Finance Journal Released.

Public Finance Journal features peer-reviewed research that examines and analyzes contemporary issues in budgeting and finance and explores the applicability of solution sets. The first issue includes research on budgeting and finance agendas, AI, property tax, and more.

[View the Journal.](#)

NASBO State Expenditure Report.

This annual report examines spending in the functional areas of state budgets: elementary and secondary education, higher education, public assistance, Medicaid, corrections, transportation, and "all other". It also includes data on capital spending by program area, as well as information on transportation fund revenue collections.

Overview: Fiscal 2021-2023

In fiscal 2023, estimated **total state spending** (including general funds, other state funds, bonds, and federal funds) rose 6.5 percent, driven by increased spending from state funds (general funds and other state funds combined), while federal funds slightly declined.

In fiscal 2022, **total state spending** grew 4.6 percent, once again due to spending growth from state funds.

[Continue reading.](#)

National Association of State Budget Officers

[Unpacking the American Rescue Plan's 'Revenue Loss' Provision for Local Governments.](#)

This month marks the third anniversary of the passage of the American Rescue Plan Act (ARPA) and its \$350 billion Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, administered by the U.S. Department of the Treasury. State, local, and tribal governments have had three years to appropriate, obligate, and spend SLFRF dollars to address the health, economic, and fiscal effects of the COVID-19 pandemic.

Since the SLFRF program's inception, Brookings Metro, the National League of Cities, and the National Association of Counties have monitored how the nation's largest cities and counties (those with populations greater than 250,000) have used their \$65 billion share of these funds through the [Local Government ARPA Investment Tracker](#). This update provides new insights into how large local governments have used SLFRF dollars over the past three years to foster an equitable economic recovery from COVID-19, and their progress to date in obligating these funds in time for Treasury's impending December 2024 deadline. As of ARPA's three-year anniversary, all SLFRF recipients have just over nine months left to meet this deadline before they will be required to return any unobligated funding to Treasury.

Large cities and counties have committed 88% of their total allocation as of September 2023

As of September 30, 2023, 335 large cities and counties have reported their appropriations, obligations, and expenditures for a total of 14,186 projects—a 7% increase from the previous reporting period. (For definitions of these terms, see the Glossary at the end of this piece.) However, while the total number of projects underway in these large local governments has continued to grow, appropriations only increased by 3 percentage points between June 2023 (85%) and September 2023 (88%).

[Continue reading.](#)

The Brookings Institution

by Glencora Haskins, Mayu Takeuchi, Julia Bauer, and Patrick Rochford

March 15, 2024

Housing-Bond Sales Hit 10-Year High as Mortgage Rates Stay Lofty.

- **Michigan, Rhode Island, Colorado entities borrowed recently**
- **A 57% year-over-year jump in issuance of such bonds seen**

State and local governments borrowed nearly \$9 billion for affordable housing so far this year — the most for the period in at least a decade — as buying a home in the US remains expensive. The Michigan State Housing Development Authority's recent \$425 million bond sale is expected to help more than 2,700 families get lower mortgages, said Chief Financial Officer Jeffrey Sykes. Rhode Island Housing sold about \$125 million of non-taxable bonds to aid first-time home buyers. Colorado ski town Telluride borrowed \$31.8 million, half of which will be used to buy and build affordable rental housing.

The 57% year-over-year jump in issuance of housing bonds coincides with a period of lower borrowing costs in the muni market. The yield on the 10-year AAA benchmark is down 1.1 percentage point since Nov. 1, the start of a prominent rally. Mortgage rates, meanwhile, continue to be twice as high as they were in 2021, before the Federal Reserve started raising interest rates.

[Continue reading.](#)

Bloomberg Markets

By Melina Chalkia

March 27, 2024

A New Pitch for Ballparks as Downtown Development.

Stadium design consultants Janet Marie Smith and Fran Weld say that baseball venues have a role to play as drivers of inclusive post-Covid urban recovery.

If you're a Major League Baseball team today, it's not enough to just have a nice ballpark: To claim a stable future, teams also want the ability to develop the real estate surrounding their home field.

By that metric, the new 30-year lease on Oriole Park at Camden Yards, approved by Maryland officials in December, offers only partial relief to anxious fans in Baltimore. The team's longtime owner, attorney Peter Angelos, died on Saturday at age 94, having sold the club in January to a team led by financier David Rubenstein. (Also in this ownership group: Michael Bloomberg, founder and majority owner of Bloomberg News parent Bloomberg LP.) On Wednesday, Major League Baseball approved the \$1.725 billion sale to Rubenstein, who also hosts a show on Bloomberg Television. The team's new owners have until 2027 to reach an agreement with the state on development rights for adjacent parking lots owned by the Maryland Stadium Authority. Until then, "The Ballpark That Forever Changed Baseball" — a phrase that the Orioles officially trademarked in 2012 — is a bit behind the times.

[Continue reading.](#)

Bloomberg CityLab

By Mark Byrnes

March 28, 2024

[Fitch Affirms U.S. Municipal Standalone GARVEE Ratings.](#)

Fitch Ratings – Chicago – 28 Mar 2024: Fitch Ratings has affirmed the ratings for the following standalone grant anticipation revenue vehicle (GARVEE) bonds:

[Continue reading.](#)

Thu 28 Mar, 2024 – 5:16 PM ET

[S&P Default, Transition, and Recovery: 2023 Annual U.S. Public Finance Default And Rating Transition Study](#)

Key Takeaways

- The U.S. public finance (USPF) default tally rose to four in 2023, up from two in 2022.
- Credit quality improved in 2023: S&P Global Ratings raised 1,157 USPF ratings (128 housing and 1,029 nonhousing) and lowered 257 (18 housing and 239 nonhousing), compared with 870 upgrades and 258 downgrades in 2022.
- The transportation sector continues to dramatically improve in credit quality, largely because of improvement among airports.
- The average one-year Gini coefficient was 94% for nonhousing and 91% for housing, indicating that our ratings strongly reflect relative default risk.

[Continue reading.](#) [Free registration required.]

28 Mar, 2024

[What's Stifling City Climate Action? Municipal Finance Practices, One Report Says.](#)

The Boston University researchers highlight how city funding approaches make emissions reduction projects easier to move forward than climate adaptation projects.

Claudia Diezmartínez wants city officials to be more curious about how local climate programs are funded. The funding process is shaping which projects cities pursue and who they benefit, according to a February 2024 [Nature Climate Change paper](#) co-authored by Diezmartínez, a Ph.D. candidate at Boston University.

“What happens in the budget office or with people who are making decisions about municipal bonds, all of those things are very opaque,” she said.

Based on interviews with 34 municipal officials and other urban climate policy and finance professionals, the paper highlights three ways municipal finance practices constrain urban climate action.

[Continue reading.](#)

smartcitiesdive.com

by Ysabelle Kempe

March 27, 2024

NLC and Cities Win on Lead Pipe Replacement.

President Joe Biden, speaking at the National League of Cities (NLC) Congressional Cities Conference, touted the achievement of providing funding through the Bipartisan Infrastructure Law (BIL) to replace lead pipes in communities across the country, including private-side lead pipes on personal property that connect to homes.

The President was able to tout this to city leaders because, at the end of February, the Internal Revenue Service (IRS) cleared the way for cities, towns, and villages to move forward by issuing critical guidance that the NLC helped shape.

[Continue reading.](#)

National League of Cities

by Carolyn Berndt & Michael Gleeson

MARCH 28, 2024

Unpacking the Muni Bond Rollercoaster: Lessons from 2023 and 2024

After 2022's bond rout, 2023 was a wonderful time for fixed income investors. High yields as well as a variety of other factors sent many investors into attractive bonds. With lower issuance, the prices for many fixed income asset classes surged. This included the municipal bond sector. And with that, total returns—yield plus capital appreciation—was one of the best on record.

But so far, 2024 has been a bust. Municipal bonds have sputtered to a slight loss.

The question is whether or not investors should be worried. Will the new year be another one of losses for muni investors? The answer may be a resounding no.

[Continue reading.](#)

dividend.com

by Aaron Levitt

Mar 26, 2024

Why Municipal Bond Investors Should Proceed With Caution.

Fixed-income investing has garnered more attention lately as yields have risen dramatically over the last 12 months, reaching levels not seen since the Great Recession of 2007-2008. Current yields on U.S. Treasuries are now trading between 4% and 5% and have pushed other high-quality fixed-income assets, such as municipal bonds and corporate bonds, to yield levels not seen in many years. Collectively, this is attracting increased demand for fixed-income securities.

A recent [Morningstar report](#) showed that the only investment category to post positive fund inflows for 2023 was fixed income, which added \$395 billion to bond funds. More recently and specific to municipal bonds, the [Investment Company Institute reported](#) that \$8.35 billion flowed into municipal bond mutual funds and ETFs during the first 10 weeks of this year. That was the largest 10-week cumulative flow into municipal bonds since January of 2022.

This increase in demand has clearly benefited the municipal bond market year-to-date. The total return on the Bloomberg Municipal Bond Index is -0.22% as of March 22, while the Bloomberg Treasury Index is down much more, -1.18%, and the Bloomberg Corporate Bond Index is off -0.65%. Given such strong relative performance, sectors within the municipal bond market could be considered overbought for some investors, so proceed with caution.

[Continue reading.](#)

Forbes

Chris Gunster, CFA - Contributor

I am Partner and Head of Fixed Income at Fidelis Capital Partners, LLC

Mar 27, 2024,

February Corporate and Municipal CUSIP Request Volumes Rise Sharply.

NORWALK, Conn., March 19, 2024 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for February 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 sharp monthly rise in request volume for new corporate and municipal identifiers.

North American corporate requests totaled 7,761 in February, which is up 30.5% on a monthly basis. On a year-over-year basis, North American corporate requests closed the month down 12.0%. The monthly volume increase was driven by a 67.7% rise in request volume for U.S. corporate debt identifiers. February also saw a 24.1% increase in request volume for short-term certificates of deposit (CDs) with maturities of less than one year, and a 15.3% increase in request volume for long-term CDs with maturities of more than one year.

The aggregate total of identifier requests for new municipal securities - including municipal bonds,

long-term and short-term notes, and commercial paper – rose 12.5% versus January totals. On a year-over-year basis, overall municipal volumes are down 2.2%. Texas led state-level municipal request volume with a total of 112 new CUSIP requests in February, followed by New York (81) and California (45).

“The pace of pre-market issuance activity in some asset classes has been ramping up,” said Gerard Faulkner, Director of Operations for CGS. “Time will tell whether we’re seeing a short-term blip in activity or whether this trend will continue throughout the first half of 2024.”

Requests for international equity CUSIPs fell 30.4% in February and international debt CUSIP requests rose 6.4%. On an annualized basis, international equity CUSIP requests are down 17.9% and international debt CUSIP requests are up 55.7%.

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

[Mega-Trends Impacting Municipal Market: ArentFox Schiff](#)

We are at the initial stages of a major paradigm shift that has significant implications for the municipal market over the next five to 10 years. A number of societal mega-trends will present material challenges for the municipal market. These include climate change, growing federal debt, shrinkage of the workforce, the impact of remote work, cybersecurity attacks, and political polarization.

This commentary will discuss each of these trends and their interrelationship. In combination these trends will likely increase expenses and decrease revenue resulting in growing challenges for municipalities.

Whether it be unprecedented droughts, forest fires, floods, tornadoes, wind, or heat waves, it is evident that climate change has begun in a dramatic fashion. How quickly it will escalate is unknown but that it will escalate is a near certainty, absent a quick dramatic change in human activity. As climate change escalates there will be even more damage to infrastructure, farmland, coastal properties, utilities, homes, and businesses. The cost of addressing these damages will likely rise significantly.

According to the National Oceanic and Atmospheric Administration, in 2023 there were 28 separate billion-dollar climate disaster events, the highest count of record. The cost of these events was \$92.9 billion, and this number may rise by several billion as more costs are identified.

[Continue reading.](#)

by DAVID L. DUBROW

MARCH 20, 2024

ARENTFOX SCHIFF

[US Warns of Cyberattacks Against Water Systems Throughout Nation.](#)

- **Letter cites threats from hackers linked to Iran, China**
- **EPA is lead federal agency to ensure water sector's resilience**

The Biden administration is warning states to be on guard for cyberattacks against water systems, citing ongoing threats from hackers linked to the governments of Iran and China.

"Disabling cyberattacks are striking water and wastewater systems throughout the United States," Environmental Protection Agency Administrator Michael Regan and National Security Advisor Jake Sullivan wrote in a letter to governors made public Tuesday. "These attacks have the potential to disrupt the critical lifeline of clean and safe drinking water, as well as impose significant costs on affected communities."

Hackers affiliated with the Iranian Government Islamic Revolutionary Guard Corps have attacked drinking water systems, while a People's Republic of China state-sponsored group, Volt Typhoon, has compromised information technology of drinking water and other critical infrastructure systems, the letter warned.

[Continue reading.](#)

Bloomberg Technology

By Ari Natter

March 19, 2024

[As Cyber Grant Program Hits the Halfway Mark, Feds Laud States' Progress.](#)

Two years into the \$1 billion program, state and local governments are better prepared for cyber attacks. But funding remains an obstacle as under-resourced cybersecurity budgets struggle to keep up with mounting threats.

When Congress passed the infrastructure law in 2021, it made a much-needed, first-of-its-kind investment in cybersecurity.

At the time, state and local governments were facing an increasing wave of ransomware and other cyberattacks. In 2020, a third of global attacks were on states and localities—a number that doubled in 2021, [according to Sophos](#), a data protection and security company.

Now, two years into the \$1 billion State and Local Cybersecurity Grant Program, hundreds of millions of dollars have already been appropriated, with millions more to follow starting later this year. States have used the grants to invest in long-term cybersecurity planning, coordinating with localities and implementing a whole-of-state approach.

[Continue reading.](#)

Route Fifty

By Chris Teale,
Staff Reporter, Route Fifty

MARCH 20, 2024

[Schools are Vulnerable to Breaches — and Hackers Know It.](#)

Schools face unique challenges in shoring up their cyber defenses. Just ask Baltimore County Public Schools. It suffered a successful attack in 2020, and while its cyber protection has improved, it still faces roadblocks.

James Corns first got wind of a cybersecurity incident one evening in November 2020, when a live stream of the Baltimore County Board of Education was interrupted.

By 11 p.m. that night, after getting calls from staff across the Baltimore County Public Schools system about their laptops malfunctioning, Corns realized the school system faced a “full scale attack.”

An investigation later found that hackers had been in the school system’s networks for about two weeks, after what Corns, executive director of IT, described as an “operator error” let them in. It started when a staff member who received an Excel spreadsheet in an email was unable to access it and forwarded it to a contractor who could, opening the door to the attack.

[Continue reading.](#)

Route Fifty

By Chris Teale,
Staff Reporter, Route Fifty

March 21, 2024

[States Look to AI for Its Potential to Help with Finances.](#)

Artificial intelligence holds promise for creating budget-saving efficiencies, aiding in audits and helping with compliance. But the emerging technology also poses challenges that could affect spending.

[Artificial intelligence has quickly become a buzz topic among state leaders, and lawmakers](#) in 31 states considered nearly 200 bills related to AI last year. Recent leaps in generative AI have the potential to create budget-saving efficiencies, such as reducing application processing times and freeing up staff capacity for other work. At the same time, however, states must deal with the risks that AI could pose to vital systems, particularly public information and data security.

In states throughout the country, auditors and public finance departments are exploring the possibility of using AI to lower the cost of monitoring and oversight, reduce risks, and streamline administrative processes. One recent report estimated that AI could [boost productivity by \\$519 billion a year across all U.S. governments](#).

For instance, the Government Finance Officers Association, or GFOA, is working with Rutgers University to [pilot how AI can help governments comply with the federal Financial Data Transparency Act](#), which requires that financial disclosures filed for outstanding bond debt be machine readable starting in 2027. GFOA previously estimated that implementing reforms needed to comply with the law [could cost governments at least \\$1.5 billion](#) by the deadline. But if the GFOA-

Rutgers project is successful, an AI-powered data extraction process could make ongoing compliance virtually cost-free while reducing the risk of error.

[Continue reading.](#)

Route Fifty

by Liz Farmer

MARCH 20, 2024

Why Texas Is Banning Banks Over Their ESG Policies.

Texas passed two laws in 2021 that restrict government contracts with companies that take what state officials regard as punitive stances toward the fossil fuels and firearm industries. They're among the many new laws pushed by Republicans in states across the US to oppose ESG investing and financing, which they've made into a culture war target. Under one of the laws, Texas has barred some state entities, including pensions, from investing in roughly 350 funds that the Texas comptroller says engage in "boycotts" of fossil fuels. The legislation has also prompted state officials to prohibit Citigroup Inc. and Barclays Plc from helping the state and its local governments raise money for infrastructure projects through bond deals, and BlackRock Inc. from managing investments for a fund that supports the state's schools.

1. What is ESG?

An abbreviation for environmental, social and governance, ESG refers to a set of standards that some money managers and bankers use to screen potential investments and financings for their environmental efforts or societal impact. Companies have been pressured by consumers, activists, investors and regulators to good stewards not only be of financial capital but also of natural and social capital, according to a Deloitte primer on ESG. Some examples of criteria that may fall under the environmental pillar of ESG are projects that cut greenhouse gas emissions, curb water pollution or use recycled material. Socially conscious investors may consider how a company manages its labor diversity or risk policies regarding firearms.

[Continue reading.](#)

Bloomberg Green

By Danielle Moran

March 20, 2024

More Defaults for Senior Living Ahead as Debt Comes Due.

- **About \$3.5 billion in muni debt matures next year, BI says**
- **More impairments, defaults could be on the sector's horizon**

Pandemic-induced obstacles are still squeezing senior living facilities and with a rash of debt coming

due, investors are likely to feel continued pain in the sector over the next several years. About \$2.7 billion in senior living municipal debt comes due in the last nine months of this year, along with \$3.5 billion next year, according to Karen Altamirano of Bloomberg Intelligence.

The looming maturities “could contribute to an uptick in impairments or default,” said Lisa Washburn, chief credit officer at Municipal Market Analytics. “It’s one more pressure on top of so many pressures that are facing the sector right now.”

[Continue reading.](#)

Bloomberg

By Lauren Coleman-Lochner

March 22, 2024

[S&P: U.S. Transportation Infrastructure 2024 Activity Estimates Indicate A Return To Pre-Pandemic Levels And Growth, With Transit Ridership Still Recovering](#)

Key Takeaways

- Our recently updated U.S. economic forecast, which calls for real GDP growth of 2.4% in 2024 with no recession, bodes well for U.S. airports, ports, toll roads, and mass transit providers.
- We believe activity measures across most transportation modes will likely return to near pre-pandemic historical averages, although industry-specific variables such as airline capacity constraints, trade tariffs, geopolitical conflicts, and growing cost pressures could dampen near-term growth.
- Remote work trends will continue to drag on public transit ridership, with our activity estimates showing public transit recapturing about 75% of pre-pandemic activity in 2024, 80% in 2025, and only about 85% in 2026.

[Continue reading.](#)

21 Mar, 2024

[Grants and Growth: The Infrastructure Funding Surge Demands Masterful Management](#)

COMMENTARY | To leverage federal funds to strengthen their economies and invest in the future, state and local governments need strong, centralized grant management support.

State and local governments nationwide are racing against time to access billions in federal grants. As they rush to wrap up numerous projects before the 2026 State and Local Fiscal Recovery Fund, or SLFRF, deadline, at least one local government has indicated that they won’t be able to pursue a significant number of federal grants in 2024.

In fact, data from the U.S. General Accountability Office shows that as of March 31, 2023, state and local governments had reported spending less than half their awards from the American Rescue Plan Act. As the historic CHIPS Act, Inflation Reduction Act, and Infrastructure Investment and Jobs Act reach their required implementation deadlines in the next few years, it has become clear that success in leveraging these funds requires a comprehensive approach.

State and local leaders must begin developing a deliberate federal funds strategy, which includes submitting grant proposals and applications that demonstrate a compelling plan for the use of funds. To show they can effectively leverage federal grant money, agencies also need a strong program design, prioritized projects and a robust capability to administer the funds in compliance with federal requirements.

[Continue reading.](#)

Route Fifty

*By Rob Cohan,
Accenture Public Service Strategy and Consulting*

MARCH 22, 2024

[Apply Now: Navigating the Clean Ports Program Funding](#)

Ports are vital nodes in global supply chains, facilitating the movement of goods and fostering economic growth. However, they pose significant environmental and public health challenges, particularly in nearby communities. To address these issues, the U.S. Environmental Protection Agency (EPA) has launched the [Clean Ports Program](#), offering \$3 billion in funding to support the transition to zero-emission port operations and enhance air quality planning.

Understanding the Clean Ports Program

The Clean Ports Program, established under the Inflation Reduction Act of 2022, aims to reduce diesel pollution and greenhouse gas emissions in and around U.S. ports while promoting community engagement and emissions reduction planning. The program comprises two main funding opportunities: the Zero-Emission Technology Deployment Competition and the Climate and Air Quality Planning Competition. Eligible participants are encouraged to apply by 11:59 PM (ET) for the May 28, 2024 deadline. [View other important dates and times.](#)

[Continue reading.](#)

NATIONAL LEAGUE OF CITIES

By Damion Deshield

MARCH 21, 2024

[An Insight Into Municipal Bonds.](#)

"After two tumultuous years, we expect a municipal-market recovery and we believe that municipal bond mutual funds will outperform other investment vehicles," says Mackay Municipal Managers (Mackay), part of the New York Life Investments group of businesses, in its recent report on municipal markets in 2024.

The firm also says: "We believe that successful municipal bond managers will prioritise the fundamental facts over the headlines, recognise the strength of municipal credit and look to capture the opportunities in the high-yield municipal market.

"We also hold the view that by diversifying their retirement portfolios to include taxable municipal bonds, investors may stand to benefit. The municipal market of the last two years provided active managers with the opportunity to enhance returns in their funds; investors might now consider exploring these funds as potential investment options."

In addition, Mackay takes the view that investing through a mutual fund captures the municipal-market opportunity:

"In response to a probable pivot by the Federal Reserve in 2024, we anticipate that short-term rates will decline, while longer-term bonds outperform. Therefore, investors may consider securing longer duration and income durability in the near term.

"However, higher yields only matter if they are in your portfolio. We believe investors have the opportunity to acquire high accrual rates, active portfolio positioning and the flexibility essential to capture the market's recovery through mutual funds.

"Other professionally managed solutions are available, such as passive, index-bound ETFs or buy-and-hold, laddered separately managed accounts, but in our opinion, the rigidity of their constrained investing approaches limits their efficacy. We believe that municipal market prices will rise and that mutual funds will provide a compelling vehicle to capture that performance potential."

The firm also anticipates that individual investors could embrace taxable municipal bonds in retirement plans: "We expect US-based, individual investor demand for taxable municipals will continue to increase. In our opinion, individuals will view taxable municipal bonds as an attractive complement to their investment-grade, corporate-bond exposure in their qualified accounts. Taxable municipal bonds can offer attractive absolute yields, credit spreads and additional return potential with the same strong fundamentals as traditional tax-exempt financings.

"Additionally, in our view, demand from both domestic and overseas institutional investors should be robust, as credit spreads remain attractive and hedging costs will most likely recede with the normalisation of yield curves around the world. This 'one-two punch' should increase demand and help propel returns in this often-overlooked segment of the municipal marketplace."

David Dowden, a managing director at the firm and portfolio manager of the MainStay municipal bond funds, joined the firm 15 years ago, following roles at Financial Guaranty Insurance Company, Alliance Capital Management and Merrill Lynch & Co. He says: "We've done a lot of work over the last two years to position funds appropriately.

"Our expectation is that we will experience reasonable growth, both from new flows into our products, as well as from existing clients and shareholders adding more money into their positions, as they recognise the value we see in the market."

by Fiona Nicolson

March 22, 2024

[States Warned of ‘Recent and Ongoing’ Cyber Threats to Critical Infrastructure.](#)

The EPA and White House acknowledged water systems and other utilities “often lack the resources” to adopt rigorous cybersecurity measures. They want to partner to bolster the current efforts of state and local governments.

A [letter](#) last week from two senior Biden administration officials warned states of “disabling cyberattacks” that could “disrupt the critical lifeline of clean and safe drinking water, as well as impose significant costs on affected communities.”

Just months after [two separate attacks](#) on water systems in Pennsylvania and Texas, Michael Regan, administrator of the Environmental Protection Agency, and Jake Sullivan, national security advisor, wrote governors warning of “two recent and ongoing” threats associated with China and Iran, and calling for their “partnership” in combating the issue.

“Drinking water and wastewater systems are an attractive target for cyberattacks,” the two officials wrote, “because they are a lifeline critical infrastructure sector but often lack the resources and technical capacity to adopt rigorous cybersecurity practices.”

[Continue reading.](#)

Route Fifty

By Chris Teale,
Staff Reporter, Route Fifty

MARCH 22, 2024

[Unpacking the American Rescue Plan’s ‘Revenue Loss’ Provision for Local Governments.](#)

This month marks the third anniversary of the passage of the American Rescue Plan Act (ARPA) and its \$350 billion Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, administered by the U.S. Department of the Treasury. State, local, and tribal governments have had three years to appropriate, obligate and spend SLFRF dollars to address the health, economic and fiscal effects of the COVID-19 pandemic.

Since the SLFRF program’s inception, Brookings Metro, the National League of Cities (NLC), and the National Association of Counties (NACo) have monitored how the nation’s largest cities and counties (those with populations greater than 250,000) have used their \$65 billion share of these funds through the Local Government ARPA Investment Tracker. This update provides new insights into how large local governments have used SLFRF dollars over the past three years to foster an

equitable economic recovery from COVID-19 and their progress to date in obligating these funds in time for the Treasury's impending December 2024 deadline. As of ARPA's three-year anniversary, all SLFRF recipients have just over nine months left to meet this deadline before they will be required to return any unobligated funding to the Treasury.

[Continue reading.](#)

National League of Cities

BY: Julia Bauer & Patrick Rochford

MARCH 15, 2024

[S&P: U.S. Local Governments Are Turning To Cyber Risk Pools For Savings And Security Benefits](#)

Key Takeaways

- High cyber insurance premiums and difficulties securing coverage are prompting local governments to form cyber risk pools, where they self-insure in a group administered by a third-party manager.
- In addition to more affordable coverage, mutualization provides a forum in which similar entities can discuss cyber security risks and develop best practices.
- Participation in risk pools, coupled with adherence to rigorous cyber security risk mitigation strategies, may reduce costs and could improve public sector entities' overall credit quality.

[Continue reading.](#)

14 Mar, 2024

[Puerto Rico Power Authority's Planned 'Turbo' Bonds Seen as Blueprint for Utilities.](#)

- **Debt has early-redemption feature to ensure repayment**
- **Structure may serve as useful tool for other utilities**

The debt-restructuring plan put forward by Puerto Rico's bankrupt power authority includes a type of financing common among tobacco-settlement debt that may serve as a blueprint for other utilities seeking to raise money to meet capital needs.

Known as "turbo bonds," the debt — backed by a dedicated charge and a fee on customers' monthly bills — has the potential to be repaid in full before maturity because any excess revenue must be used to pay back investors early.

Many bonds repaid from tobacco settlement receipts use this early redemption structure as a way to ensure repayment at a time when the broader trend is for cigarette sales to drop over time. Similarly, demand for energy supplied by the Puerto Rico Electric Power Authority is on course to slump as the island's population declines and more residents and businesses turn to solar power.

The securities may serve as a useful financing tool for electric utilities across the US that are experiencing a decline in usage as customers install solar panels to their homes and rely less on the power grid, David Brownstein, the former head of Citigroup Inc's soon-to-close public finance department and now a principal at BGC Partners Advisory, said while testifying in court Friday during a confirmation hearing on the utility's debt-cutting proposal.

"Everybody is dealing with the same solar issue now. That's why I believe this is going to become the market norm for utilities," Brownstein said about the turbo-bond structure, according to a transcript of the court hearing.

BGC Partners Advisory is the restructuring adviser to the island's financial oversight board, which is managing Puerto Rico's bankruptcy and the workouts of its governmental agencies. Prepa, as the power authority is known, is seeking to slash its \$10 billion of debt and financial obligations by as much as 75%.

Most power utilities pledge to raise electricity rates to cover principal and interest payments. Prepa's debt plan doesn't include such a promise, but its new bonds will be repaid from revenue collected through a fixed "legacy charge" and also a volumetric fee on customers' monthly bill. If revenue from those charges comes in stronger than anticipated, then investors will be repaid sooner as the turbo bonds allow for accelerated payments.

"The structure of the Prepa bonds we have created, I believe, will be impactful to our entire market going forward," Brownstein said.

Prepa's debt plan also includes contingent value instruments. Called CVIs, those securities will repay Prepa investors from legacy-charge collections, but only after the restructured fixed-rate bonds are paid off in full within 35 years.

CVIs were also used in Puerto Rico's own bankruptcy, but they're structured differently.

Bloomberg Markets

By Michelle Kaske

March 12, 2024

[CUSIP Global Services Adds Climate Bonds Initiative's Green Bond Data to Global Data Feeds.](#)

Partnership with Climate Bonds Initiative Expands Coverage of ESG Data Attributes Globally

NORWALK, Conn. and LONDON, March 12, 2024 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced an alliance with the Climate Bonds Initiative (Climate Bonds), an international organization working to mobilize global capital for climate action, to add green bond data attributes for corporate and municipal bonds in its global data feed and desktop products. The new green bond tags will enable fixed income market participants to instantly identify and categorize securities that contain specific environmentally sustainable growth attributes, based on Climate Bonds' internationally recognized taxonomy for evaluating green finance principles and establishing green bond standards.

The CUSIP is a nine-character alphanumeric security identifier that captures the unique attributes of issuers and their financial instruments throughout the U.S. and Canada. In the U.S. bond market, the CUSIP is used by investors to uniquely identify and track securities and link them with the underlying issuing entity. With this enhancement of its data feed and desktop products, CGS will append a text-based descriptor to the standard CUSIP ID for green bonds. The new attributes, which include more granular use of proceeds information and non-alignment details, cover municipal and corporate debt issued globally and are provided at no additional cost to CGS customers.

“Green, social and sustainability-linked bond issuance accounted for roughly \$1 trillion in bond issuance last year, as corporate and municipal issuers increasingly focus on this market segment,” said Scott Preiss, Senior Vice President and Global Head, CUSIP Global Services. “By providing green bond tags as part of our data feed and desktop products, we are making it possible for market participants to quickly and reliably identify securities that meet key sustainable finance criteria using Climate Bonds’ proven evaluation standard.”

[Continue reading.](#)

CUSIP Global Services

Tue, Mar 12, 2024

Fitch: More U.S. Essential Housing Projects Likely Amid Affordability Crisis

Fitch Ratings-San Francisco/New York/Chicago-11 March 2024: U.S. local governments and state housing agencies are seeking to curb the widening affordability gap by entering into public-private partnerships to build essential housing, according to Fitch Ratings in a new report.

Amid the broader affordability crisis lies a more distressing predicament for middle-income earners such as teachers, police officers, and health care workers looking for a place to live. “Despite earning between 80% and 120% of the area median income, these essential workers often find it challenging to afford housing near their places of employment due to high costs and a shortage of affordable options,” said Senior Director Karen Fitzgerald.

In response, governments have partnered with private developers to create essential housing projects near economic centers and transit hubs. These partnerships have been able to take advantage of low interest rate loans, tax incentives, subsidies, and land grants to make projects financially viable. Not surprisingly, the demand for essential housing is on the rise.

Furthermore, the Infrastructure Investment and Jobs Act has expanded lending capacity for transportation infrastructure projects, including Transit-Oriented Development (TOD). The TOD Program aims to foster compact, walkable communities around transit stations, with financing options available through the Transportation Infrastructure Finance and Innovation Act and Railroad Rehabilitation and Improvement Financing programs.

From a credit perspective, Fitch considers several key nuances and risks to future cash flow volatility when rating essential housing projects. For one, projects with rents that vary across AMI levels may be subject to ongoing cash flow volatility. “Material exposure to refinance risk could be problematic if projects cannot be refinanced before maturity,” said Fitzgerald. To address refinance risk, Fitch may assume fully amortizing, level-pay, annual debt service through bond maturity for projects with non-fully amortizing debt.

Other analytical considerations are addressed in Fitch's "Essential Housing Initiatives" report, available at www.fitchratings.com.

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Additional information is available on www.fitchratings.com

[P3 Infrastructure Assessment Grants: New DOT Grants to Help State and Local Governments Study P3 Possibilities - Orrick](#)

The Department of Transportation's Build America Bureau is soliciting applications until May 10 for grants intended to help state and local governments assess whether any of their assets would be viable for monetization in a public-private partnership (P3). [Click here to apply](#).

The Innovative Finance and Asset Concession Grant Program provides up to \$2 million per recipient to analyze, evaluate and determine whether any existing highway, transit, passenger rail, freight, port, airport and transit-oriented development[1] asset could be monetized in a P3 arrangement.

States, tribal governments, local governments and special purpose public authorities that own or control an eligible project are eligible recipients.

Asset Monetization in Transportation

An asset monetization in this context involves a private concessionaire paying a public entity for the right to improve, maintain, manage and/or operate a project. This approach is taken most frequently for toll roads, airports, ports, water treatment and distribution facilities and other assets with the potential to generate revenue.

[Continue reading.](#)

March.14.2024

\$3.3B in Federal Grants Announced for Communities Split Apart by Highways.

The one-time infusion of cash for highway caps, bike trails and other improvements shows the Biden administration's priorities for one of its most high-profile infrastructure initiatives.

The Biden administration on Wednesday unveiled the winners of more than \$3.3 billion in grants for one of its signature infrastructure initiatives, an effort that aims to reduce the harm caused by the construction of highways, rail lines and other infrastructure that sliced through neighborhoods across the country.

The grants would pay for new freeway "caps" in Atlanta, Austin, Dallas, Philadelphia and Portland, Ore. The short highway covers often include amenities like parks and trails to help connect the surrounding neighborhoods. Massachusetts will use its \$335 million grant to rebuild an aging highway viaduct while creating new parks, building a new bridge for cyclists and pedestrians, and opening a new commuter rail station. New York's \$180 million award will go toward making improvements to downtown Syracuse after removing a highway viaduct there. Jacksonville, Florida, will use \$147 million to build 15 miles of a new off-street trail system that will connect historically Black neighborhoods to downtown and other amenities. And the Gulfton and Kashmere Gardens neighborhoods in Houston, where residents have long had to contend with chronic flooding and inadequate infrastructure, will get improved sidewalks, drainage and tree cover.

[Continue reading.](#)

ROUTE FIFTY

by DANIEL C. VOCK

MARCH 13, 2024

New Forever Chemical Rules Could Escalate Water Bills, US Cities Warn.

With the EPA's first-ever regulation of PFAS chemicals in the water supply expected soon, local officials say they need more funding to comply.

Hastings, Minnesota, is staring down a \$69 million price tag for three new treatment plants to remove PFAS chemicals from its water supply, ahead of new US federal regulations limiting the amount of so-called forever chemicals in public drinking water — which could come as early as this month.

For a town of less than 22,000 people with an operation and maintenance budget of \$3 million a year for its water system, the project amounts to a "budget buster," says city administrator Dan Wietecha. Operation and maintenance costs for the new plants could add as much as \$1 million to the tab each year.

The costs will likely be passed down to the public, unless the city can obtain funding through other means. "Water rates would essentially double in three years, triple in five years, and continue increasing," Wietecha says. "So, yeah, we need outside funding. This is just an unrealistic burden to put on our residents and businesses."

[Continue reading.](#)

Bloomberg CityLab

By Linda Poon

March 13, 2024

Look For Munis To Behave Like Bonds Again In 2024.

Now that the Fed is signaling an end to rate hikes and the possibility of rate cuts, investors can focus on municipal bonds behaving like bonds: offering tax-exempt income and providing portfolio diversification. Indeed, reasons abound for considering a meaningful allocation to municipals.

Across the muni marketplace, credit fundamentals are in great shape, in the wake of Covid-19 related stimulus and three consecutive years of extremely strong revenues. We believe the market overall is well positioned to handle any economic downturn, should there be one. And the rating agencies agree, with upgrades outpacing downgrades by a roughly four-to-one ratio for three straight years.

Muni bond gross supply is expected to total \$400 billion in 2024, up from \$330 billion in 2023. However, with approximately \$400 billion of bonds maturing or being called in 2024, supply will likely be net negative, with the expectation of demand exceeding supply. This supply/demand disparity should keep yields and spreads contained.

[Continue reading.](#)

FA-MAG.COM

MARCH 12, 2024 • DANIEL J. CLOSE

Municipal Bond Funds Fare Well in May.

Tax-exempt funds dominate the list of top performers for the month of May.

In normal times, the generally muted returns of municipal bond funds wouldn't be expected to place any number of such offerings on a top-10 performance list.

Well, these are anything but normal times, a fact underscored by the dominance of tax-exempt funds on the accompanying table of top open-end bond funds for May.

Muni bond funds enjoyed a bounce in May after being pressured for months by a variety of forces. Threats to their exemption to state income taxes have been disrupting the muni market for months, with the issue finally resolved in favor of the tax-exempt vehicles. If that weren't enough, the triple-A credit ratings of insurers of muni bonds have been in doubt as a result of the credit crunch.

[Continue reading.](#)

by Richard Widows

Jun 9, 2008

[Munis Defy Bond Selloff, Pushing Valuations to Three-Year High.](#)

- **Ratios on 10-year muni debt sank to lowest level in years**
- **Deals oversubscribed by more than five times in February**

By one measure, state and local government bond yields have slid to the lowest levels against Treasuries in nearly three years, with a steady push into the securities largely sheltering them from the selloff seen in other corners of fixed-income markets.

Yields on 10-year municipal debt have hit the lowest relative to Treasuries since June 2021 after strong demand for the tax-exempt securities propped up prices during a Thursday bond-market rout.

Treasuries slid after a report on wholesale prices eroded confidence in the outlook for Federal Reserve interest-rate cuts this year. While municipals dropped slightly, their outperformance drove the muni-Treasury ratio to just 57%, according to data compiled by Bloomberg.

[Continue reading.](#)

Bloomberg Markets

By Nic Querolo

March 15, 2024

[Muni Manager Takes Contra Approach and Focuses on Active: Bloomberg Masters of the Muniverse](#)

Municipals are starting the year semi-flat and the latest read on CPI will not do much to alleviate the concern of market participants that performance could be stagnant for the foreseeable future. That being said, there are still some areas of relative value, even though the absolute tradeoff from last fall has faded to a large degree. Here to discuss the current market dynamics, credit quality, election predictions and much more is Jason Appleson from PGIM (Prudential Global Investment Management)

[Listen to the Podcast.](#)

Bloomberg

Mar 15, 2024

[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 February) \$62.9 billion, +36.6% Y/Y
- Trading (as of February) \$12.5 billion ADV, -2.3% Y/Y
- Outstanding (as of 4Q23) \$4.1 trillion, +0.5% Y/Y

[Download XLS](#)

March 7, 2024

[Fitch Affirms Muni Ratings Tied to U.S. Sovereign Ratings at 'AA+'; Outlook Stable.](#)

Fitch Ratings – San Francisco – 07 Mar 2024: Fitch Ratings has affirmed at 'AA+' the ratings of certain categories of debt that are directly tied to the creditworthiness of the United States or its related entities, following the affirmation of the United States of America's Foreign and Local Currency Issuer Default Ratings at 'AA+'/'F1+' with Stable Rating Outlooks.

Categories of debt whose ratings are affected include:

-Pre-refunded bonds whose repayments are wholly dependent on 'AA+'-rated United States government and agency obligations held in escrow;

-Municipal housing bonds that are primarily secured by mortgage-backed securities issued by Ginnie Mae, Fannie Mae and/or Freddie Mac;

-Obligations that are supported by credit enhancement issued by financial institutions directly linked to the United States, such as Fannie Mae or Freddie Mac.

[Continue reading.](#)

Thu 07 Mar, 2024

[The Anti-ESG Backlash Is Playing Out Across the Country as Pensions and Investments Become a Political Football.](#)

The anti-ESG backlash is playing out across the country as pensions and investments become a political football

After years of headlines about the growing environmental, social, and governance (ESG) movement in investing, ESG has been met with understandable skepticism from taxpayers, who both underwrite state and local government pension plans and government borrowing. After all, if the managers of these operations take their focus off properly balancing risk and return—pursuing ideological investment goals instead—taxpayers could be on the hook for hundreds of billions in additional liabilities. Yet, that focus must go in both directions. Forcing those managers to reflexively embrace ESG or to reflexively shun it could deprive taxpayers of the market-based innovation, resilience, and long-term value we’re counting on to avoid a financial meltdown.

According to a Council of State Governments report, at the state level alone taxpayers face \$1.3 trillion of unfunded liabilities from government employee pension systems. Administrators of these pension plans need every tool available to them to protect taxpayers against massive bailouts. Passing restrictive laws at the federal or state level, instructing these administrators to avoid certain industries or banks perceived to be too “woke” or not “woke” enough, could put them in a fiscally untenable position.

The financial contagion caused by pro and anti-ESG actors is already spreading into another area of public finance. In several instances, pursuing non-financial politically motivated outcomes has led to diminished investment returns, market distortions, and other forms of economic harm.

[Continue reading.](#)

FORTUNE

BY CARLOS CURBELO AND PETE SEPP

March 7, 2024

Muni Investors Stage Rare Challenge of \$1 Billion Bond Deal.

- **Investors believe university ‘has no legal basis’ to call debt**
- **Deal is part of a wave of planned refundings using ERP call**

A group of investors is challenging a \$1 billion municipal bond refunding by the Regents of the University of California.

The bondholders said there’s “no legal basis” to allow the refinancing, according to a copy of a letter seen by Bloomberg News and people with knowledge of the matter. The debt was priced on Tuesday.

The deal is part of a wave of planned refundings that would replace taxable debt sold under the Build America Bonds program more than a decade ago with lower-yielding, tax-exempt securities. Some investors are questioning their legality, which hinges on a provision in the bond documents that allows state and local governments to buy back their debt before it comes due if an extraordinary event occurs.

[Continue reading.](#)

Bloomberg Markets

By Nic Querolo and Amanda Albright

March 6, 2024

S&P Military Rental Housing 2024 Outlook: Bond Sector Stable Amid Slow Recruitment And Higher Expenses

Key Takeaways

- Rating actions in 2023 reflect the sector's stability as most projects benefitted from higher basic allowance for housing (BAH) revenue and strong occupancy.
- Operating pressure could materialize if military recruiting targets trend below expectations, leading to less demand for military housing projects. While we don't believe this is an immediate risk, it could affect credit quality over the medium-to-long term.
- Debt service coverage for military housing projects has experienced some volatility due to increasing costs from insurance coverage, utility expense, and maintenance and repair requirements.

[Continue reading.](#)

7 Mar, 2024

S&P: How U.S. Not-For-Profit Acute-Care Providers Are Managing Risks From The Change Healthcare Cyber Attack

Key Takeaways

- Repercussions from the Feb. 21, 2024, cyber attack on the nationwide claims processing provider Change Healthcare are still evolving.
- Disruption to Change Healthcare, a third-party vendor, introduces cash flow and liquidity risk for U.S. not-for-profit acute-care providers using its services.
- As full restoration of Change Healthcare's systems is still unknown, many acute-care providers have implemented workarounds to manage cash flow and liquidity.
- The credit impact could vary across rated providers, depending on credit specifics such as liquidity and reserves, ability to put workarounds in place, and the time it takes for Change Healthcare's systems to be operational.

[Continue reading.](#)

7 Mar, 2024

The Brave New World of Local Government Debt Management.

COMMENTARY | Market volatility, economic uncertainty and factors like climate change are driving heightened risk, creating a tougher issuing environment and a more complex landscape.

“How do we use federal money and stay compliant?”

That was Kevin Bain’s reply when our team asked what was top of mind for him. He is the director of strategy for the Detroit treasury department and CFO’s office, where he oversees debt management and strategic projects.

Bain was one of a number of finance leaders we spoke with to examine the role and impact debt managers have in improving local government finances. His response points to a trend that reflects an increasingly complex debt management world and the need for increased fiscal dexterity.

Detroit wants to tap into tax credits for clean-energy investments that are available under the Inflation Reduction Act. This is not a resource that municipalities typically apply for, so the city has no mechanisms in place for it. “We’re building the plane as we fly it,” says Bain.

A More Strategic, Agile Approach

The field of municipal finance is evolving. Market volatility, economic uncertainty and factors like climate change are driving heightened risk, creating a tougher issuing environment and a more complex landscape, such as with federal grant funding compliance.

There are “more and newer expectations foisted on the debt management function,” explains Justin Marlowe, a professor at the Harris School of Public Policy at the University of Chicago. “Whether that is better disclosure or continuing disclosure vis-à-vis the MSRB [Municipal Securities Rulemaking Board] or state authorities ... and with pressure to speak to ESG and sustainability concerns, people now are actively scrutinizing when, where and how the quality of your continuing disclosure happens.”

In today’s municipal bond market, persistently high and fluctuating interest rates have increased borrowing costs for issuers and made issuing bonds more difficult. Local governments are beginning to recognize the heightened importance of the debt management role. “It has the potential to generate savings and add financial value,” notes Marlowe.

Route Fifty

By Mark Funkhouser

MARCH 6, 2024

[ARPA 3-Year Anniversary: Documenting the Success of Direct Federal Aid to Cities and Towns.](#)

Three years after its passage, the impact of the American Rescue Plan Act (ARPA) on America’s cities, towns and villages cannot be overstated.

APRA’s State and Local Fiscal Recovery Fund (SLFRF) provided integral relief for local governments to navigate the COVID-19 pandemic and ensure stability for communities moving forward. During a time of uncertainty, SLFRF allocations ushered in funds to help cities, towns and villages ignite a bottom-up economic recovery strategy to assist the hardest-hit residents, stabilize municipal budgets, and maintain consistent spending on standard local government operations and services.

The SLFRF program provided direct federal aid in the form of block grants to all state, county and municipal governments, allowing for more opportunities for regional and multi-jurisdictional collaborations compared to competitive or categorical grants that are often limited to narrowly defined activities. Additionally, the SLFRF distribution model equitably allocated aid for metropolitan cities by borrowing the anti-poverty formula from the Community Development Block Grant (CDBG) program to deliver funding where it was needed the most. Relatedly, the three- and a half-year timeframe given to recipients to obligate funds has continued to foster opportunities to broadly engage residents and respond to community feedback on decisions around the use of these one-time dollars to address historic, immediate and long-term inequities. Many communities formalized community feedback opportunities, like Dayton, OH, which invested in a resident survey to use community voices and data to guide their decisions.

[Continue reading.](#)

National League of Cities

BY Julia Bauer, Patrick Rochford, Christine Baker-Smith & Michael Wallace

MARCH 4, 2024

Vulnerable US Private Colleges at Risk from New Federal, State Actions.

Fitch Ratings-Chicago/New York-06 March 2024: The credit or even viability of small U.S. private colleges serving sizable low-income and minority populations, many already financially vulnerable to operational and enrollment stress, is threatened by new hurdles posed by recent federal and state actions, Fitch Ratings says.

Recent federal financial aid processing delays, overtime pay proposals and merger/acquisition regulation, together with the U.S. Supreme Court's abolition of race-conscious admissions in 2023, place greater pressure on these colleges. State efforts to provide minimal-cost public college access to lower income residents also increases the acute competition faced by these institutions.

Financial stress in the higher education sector spiked during calendar year 2023 with a record high number of new impairments (payment and technical defaults) among the sector's bond issuers, according to Municipal Market Analytics. Fitch analysis shows that issuers with newly impaired debt in 2023 served very high percentages of minority and low-income students, averaging 55% non-White enrollment and 48% federal Pell Grant recipients among first-time undergraduates in fall 2022.

[Continue reading.](#)

Wed 06 Mar, 2024

Harvard Attracts 'Insatiable Demand' for AAA Rated Bond Sale.

- **Goldman-led deal with corporate cusip priced at low spread**
- **BI analyst Kazatsky says the university is 'too big to fail'**

Harvard University — armed with a AAA credit rating and \$50 billion endowment — sold \$750 million in taxable bonds this week as buyers shrugged off recent controversies swirling around the school.

The debt priced at 47 basis points above similar-maturity Treasuries, compared to earlier price talk of 60 basis points. That's one of the tightest spread of any 11-year investment-grade bond dating back to at least 2009, according to a person familiar with the matter who asked not to be named because they weren't authorized to speak publicly. The bonds rallied in secondary trading Wednesday morning, a further sign of strong investor appetite.

"There's insatiable demand for premier names in the higher-ed space. Obviously Harvard would be one of those at the top of the tier," said Chris Brigati, senior vice president at SWBC Investment Services, adding that the deal did "extremely well."

[Continue reading.](#)

Bloomberg Markets

By Amanda Albright and Danielle Moran

March 6, 2024

Municipal Bond Upgrades: Balancing Perceived Risks With Real Opportunities

When it comes to safety, municipal bonds have long been a go-to investment for income seekers. After all, in theory, a state or a local town has the ability to raise taxes to help pay for coupon payments – and history suggests just that. However, some investors have begun to worry about municipality and state revenues in the face of the dwindling economy.

The truth is, those worries may be all in investors' heads. Municipal credit continues to improve. Upgrades have far outweighed downgrades, while defaults remain low and concentrated in a few high-risk sectors. The reality is that munis are still offering very advantageous high yields at great credit quality.

Worries Mount

It's all about taxes, and that's the cause of the worries currently affecting municipal bonds. Munis are issued by state and local governments to fund their operations, launch special projects and provide their citizens with various programs. In order to pay for those bonds, it's often taxes – payroll, sales and property – that help pay the interest and pay off debt. And while states and towns have the ability to raise taxes, there is a limit to what they can collect. A family or a business can easily move to a lower tax state. Because of this, analysts and investors watch state revenues like a hawk to determine municipal bond health.

[Continue reading.](#)

dividend.com

by Aaron Levitt

Mar 05, 2024

These Muni Funds Sport Strikingly High Yields.

Looking for tax-free returns and some of the fattest yields in the bond market? Consider funds that invest in the high-yield segment of the municipal bond market.

According to BofA Securities, this is a great time to buy these bonds, which are issued by turnpike authorities, hospitals, and other state and local entities.

Jared Woodard, BofA's head of exchange-traded fund strategy, says high-yield munis have low default rates, with credit risk similar to that of investment-grade corporate bonds. That means investors can harvest some of the highest muni yields in recent history while keeping credit risk in check.

[Continue reading.](#)

Barron's

By Lauren Foster

Updated March 06, 2024,

Amid Rising Costs, States Scramble to Budget for Natural Disasters.

The U.S. set a new record for billion-dollar climate disasters in 2023. State budgets are increasingly shouldering the costs of more frequent and expensive weather events.

In 2023, U.S. states endured more weather-related disasters causing a billion dollars or more in damage than ever. The increasing cost and risk of natural disasters is playing a major role in shrinking the home insurance market and driving up rates in Gulf Coast and Western states. In response, leaders in these states have taken a range of steps to protect property and state budgets from the myriad threats posed by more frequent and costly disasters.

In Florida, a rapid loss of insurers and rising cost of policies has prompted regulatory changes designed to reduce the state's budget exposure as the de facto home insurer, and Gov. Ron DeSantis proposed a fiscal 2025 budget that includes more than \$500 million to cut taxes and other insurance costs for homeowners.

[Continue reading.](#)

Route Fifty

By Liz Farmer

FEBRUARY 28, 2024

As COVID-19 Emergency Funding Dries Up, Some Rural Schools May Face a Steep Fiscal Cliff in 2024.

Lower-income districts are likely to face bigger budget reductions, along with districts who spent relief aid on teacher salaries and new faculty hires.

Some rural school districts—particularly those with greater poverty levels—are set to face steep budget reductions when COVID-19 emergency funding closes this September.

To offset the effects of COVID-19 on public education, the federal government issued historic amounts of pandemic relief aid through the Elementary and Secondary School Emergency Relief Fund (ESSER) to states and districts across the country beginning in March 2020.

Over the past several years, the public school system has had access to nearly \$190 billion, which states and districts have spent on a variety of needs including technology, transportation, school infrastructure, mental health support, after-school programing, tutoring, faculty training and increased staffing.

[Continue reading.](#)

Route Fifty

By Lane Wendell Fischer,
The Daily Yonder

FEBRUARY 29, 2024

S&P U.S. State Ratings And Outlooks: Current List

[View the Current List.](#)

1 Mar, 2024

Fitch Ratings Updates U.S. Water and Sewer Rating Criteria.

Fitch Ratings-Austin-29 February 2024: Fitch Ratings has updated its criteria for U.S. water and sewer utilities. The criteria updates and replaces the criteria from March 2023.

Notable revisions include the introduction of ‘extraordinarily weak’ assessments for revenue defensibility and operating risk, updated language on notch-specific rating positioning and an expanded discussion of circumstances when analytical outcomes may differ from the Rating Positioning table. The last revision is intended to provide greater clarity as to when ratings may be higher or lower than what is suggested by the entity’s leverage profile together with the Rating Positioning table. Fitch has also updated language related to the treatment of lease obligations in financial metrics to align such treatment with current accounting standards.

The key criteria elements remain consistent with those of the prior report. There is no impact on outstanding ratings, and no credits are being placed Under Criteria Observation. The previous version of the criteria has been retired.

The updated criteria report is available at www.fitchratings.com or by clicking the link above.

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[Fitch Ratings Publishes Exposure Draft for U.S. Life Plan Communities Rating Criteria.](#)

Fitch Ratings-New York-04 March 2024: Fitch Ratings has published an exposure draft detailing proposed revisions to its rating criteria for U.S. NPF life plan communities.

"The proposed revisions to criteria are intended to better reflect the unique risks of LPCs and their typically very limited market draw and high industry concentration risk, which limit their rating potential," said Fitch Senior Director Margaret Johnson. "The proposed revisions also acknowledge LPCs' propensity for large-scale capital plans relative to their revenue size and provide better transparency on when and how these plans will be factored into ratings."

Among Fitch's proposed changes include:

- Limitation of ratings of LPCs that do not carry a third party guarantee to the 'A' category;
- Added Revenue Defensibility sub-assessments to better differentiate risks of multi-site vs. single-site LPCs;
- Additional 'B' category to Ratings Positioning Table and added enhanced guidance for ratings below 'B' category; and;
- Further guidance on potential rating action based on probability and rating impact of capital project.

Regarding revenue defensibility, Johnson says that LPCs with more SNF units than ILUs are more vulnerable to revenue pressures, as they typically have very little pricing flexibility due to their high exposure to governmental payors. Among the asymmetric additional risk considerations Fitch considers, expansion projects help determine an LPC's revenue defensibility. "While expansion projects can be of strategic benefit to LPCs, they very often lead to increased leverage and represent a relatively high degree of risk associated with the fill-up of expansion units," said Johnson.

Fitch anticipates approximately 10% of LPC ratings to be affected by these changes, with most rating changes, if any, not to exceed one-notch downgrades. Fitch is actively soliciting market feedback on the proposed criteria. Send comments to criteria.feedback@fitchratings.com by April 18, 2024.

In addition to the exposure draft, Fitch has also published Exposure Draft: U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria: Frequently Asked Questions (FAQs).

Fitch's "Exposure Draft: U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria" and the FAQs are available at www.fitchratings.com.

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[Biden Administration Waives Certain 'Build America' Requirements for Broadband.](#)

Even with the waiver, though, the administration estimates that roughly 90% of funding for equipment will still be used to purchase U.S.- made products.

The federal government says it's OK for some components used in building out the nation's broadband network to come from other countries.

The [waiver](#) announced last week by the National Telecommunications and Information Administration, or NTIA, addresses a key [concern among states](#) over requirements in the federal Build America, Buy America Act that infrastructure projects have to be built with products made in the U.S.

"I think we all generally support the goals of Build America, Buy America," said Christine Hallquist, executive director of the Vermont Community Broadband Board, referring to the desire to increase the number of manufacturing jobs in the U.S. But "the real issue," she said, is that not enough components used in the construction of broadband are currently made in America.

Continue reading.

Route Fifty

By Kery Murakami

FEBRUARY 27, 2024

Investing with Impact: How Municipal Bonds Are Leading the Way

Issues like water scarcity are felt most intensely at the local level. That makes it incumbent on municipal bond issuers to lead the response.

Municipal bond issuers are responsible for building and supporting the physical infrastructure and the public goods and services that enable citizens to participate more in an inclusive economy. That makes the roughly \$4 trillion US municipal bond market fertile ground for impact investing. Challenges like supplying clean water and improving access to quality healthcare can both be tackled through environmentally, socially, and financially productive investments in communities and institutions.

Leading When Water Is Lacking

As we've seen over the past few years, access to water can't be taken for granted. The country faces historic drought conditions in the West and other regions. For instance, the Rio Grande, a river that countless Southwestern US communities depend on, faces persistent drought and increased water demand.

These challenges disproportionately impact low-income communities. In one study, 14% of respondents said a \$12 monthly increase in water bills would lead them to cut back spending on groceries and basic medical care.¹ Long-term investments in projects that diversify water sources, combined with water conservation strategies, can go a long way toward improving drought resiliency and reducing the financial burden communities face.

[Continue reading.](#)

Alliance Bernstein

March 1, 2024

Tax Season Could be Boon for Muni Bonds.

Financial advisors looking to move cash off the sidelines this spring see opportunities in the municipal bond market.

Wealth managers move a lot of money around during tax season to meet client obligations. Several advisors say that this year, a lot of leftover cash from all that shuffling could end up in municipal bonds, especially for those high-net-worth clients living in high-tax states.

Over \$1.2 trillion went into money-market funds in 2023, according to Bank of America, and with the Federal Reserve expected to cut rates at some point this year, financial advisors will be looking to take some of that cash off the sidelines and put it to work after Uncle Sam gets his due.

For those in the top tax bracket, investment-grade municipal bonds can achieve a taxable equivalent yield of up to 8 percent, which compares to the approximately 5 percent that money-market funds are currently paying.

Sam Weitzman, product specialist at Western Asset Management, says tax season tends to be a good time to leg into municipal bonds because investors are often selling out of their municipal bond positions to pay their taxes. As a result, new buyers are rewarded with marginally higher yield opportunities.

"We also saw taxes go down in 2018 following the Tax Cuts and Jobs Act," Weitzman said. "Those tax cuts are slated to expire next year, and with that, we're expecting a higher tax rate environment to further improve the value of tax-exempt income."

As to what types of munis offer the best value in the current market, Weitzman said the highest quality portion of the market inside of 10 years appears overly crowded. Instead, he prefers doing a little more work for his clients to unearth opportunities "down the credit spectrum."

"Right now, single-A munis and triple-B munis are offering about 100 basis points of after-tax yield pickup if you're in the top tax bracket," he said. "And to us, that's a really attractive relative value proposition given the fact that munis tend to default much less frequently than those corporate counterparts."

Speaking of defaults, Steve Stanganelli, certified financial planner at Clear View Wealth Advisors, worries that the ability of municipalities to tax their constituents is starting to push up against the ability of taxpayers to tap their wallets for debt service. Anecdotally speaking, he sees such fiscal challenges building in his own city and is concerned that similar scenarios are playing out across the country.

Nevertheless, he uses several Nuveen closed-end funds for clients, including the Nuveen AMT-Free Quality Muni (NEA), the Nuveen Quality Muni-Income (NAD), and the Nuveen Municipal Credit Income (NZF), because they offer high-yield dividends that are tax-advantaged.

"Despite my longer-term concerns about municipal tax revenues, in the near term munis are well positioned as investors are often buying them for safety. And for my higher-income clients, these tax advantages help boost yields even more," Stanganelli said.

Jonathan Swanburg, president of TSA Wealth Management, agrees that for clients with taxable accounts that are in the highest tax brackets, municipal bonds are a sensible purchase at any time of year, not just during tax season.

"In Texas where we have no state income tax, a taxpayer making more than \$731K is going to be at a 40.8 percent effective tax rate on additional bond income. For this client, a 4 percent muni bond would have the same effective yield as a 6.76 percent corporate or Treasury," Swanburg wrote in an email. "If that same client was at the highest income levels and lived in New York City, her effective tax rate would be around 55 percent in total. In her case, buying a NY City municipal bond would have a tax equivalent yield of 8.8 percent relative to a corporate and 6.76 percent relative to a Treasury."

The biggest issue Swanburg sees with municipal bonds in the current environment is that investors

will often buy them thinking tax-free income is universally better than taxable income. However, that's not necessarily the case for investors outside the highest tax brackets.

"It is very common for retirees, even high-net-worth retirees, to be in lower tax brackets. At the 24 percent marginal bracket, for example, a 4 percent muni has the equivalent yield of a 5.26 percent corporate. If the equivalent-risk corporate is yielding more than that, the investor is better off going with the taxable bond," he said.

Investment News

By Gregg Greenberg

February 29, 2024

Record Issuance, Strong Yields Put Municipal Bonds in Play.

Record issuance in municipal bonds is injecting the debt market with a healthy dose of supply. Combined with elevated yields, this puts municipal bonds in play for any bond portfolio to benefit.

Record issuance is happening at both the private and public sectors. This is because expectations of rate cuts by the Federal Reserve will allow issuers to take on more debt now and refinance later at lower rates. In addition to attractive yields, municipal bonds offer investors higher credit quality that can appease risk-averse investors who want yield, but not the additional credit risk other debt could carry. With the tailwinds of strong fundamentals behind it, municipal bonds are an ideal option to balance yield and credit risk.

"We expect that the fundamental backdrop will remain strong," private investment management company Lord Abbett said. "While the record-setting growth in tax revenues and rainy-day balances has moderated over the last year, we believe that municipal credit is returning to a more normalized environment."

"Tax receipts are still significantly above levels experienced prior to the pandemic, and rainy-day balances relative to spending remain multiple times higher than during much of the last 15 years," the firm added. "With the decline in growth of tax receipts, we also anticipate spending by state and local governments will lessen, as many states move beyond the one-off expenditures of last year."

Tax-Free Income in One Fund

A prime benefit of munis is the tax-free income they can offer that's beneficial for investors in higher income tax brackets. Rather than opt for a variety of muni bond holdings, an easier way is via one ETF: the well-diversified Vanguard Tax-Exempt Bond ETF (VTEB).

The fund 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.

Of course, a top-of-mind goal for fixed income investors, especially in a year in which rate cuts could happen at a quick pace, is extracting the most yield in the current macroeconomic environment. To that note, VTEB brings a yield of 3.33% (as of February 23), with an average duration of 5.6 years

and average stated maturity of 13.6 years.

ETF TRENDS

by BEN HERNANDEZ

MARCH 1, 2024

Driving Muni Pricing with AI: Masters of the Muniverse

For a market notoriously known for resisting change, it is arguably one of the asset classes most in need of advanced technologies. However, artificial intelligence may finally bring better fair value pricing to Munis' nuanced and illiquid market. In the latest Masters of the Muniverse episode, Bloomberg's Eric Kazatsky and Karen Altamirano are joined by ficc.ai's co-founder, Charles Elken, to discuss how machine learning and muni ETFs can bring real-time pricing to Muniland.

[Listen to the Bloomberg Podcast.](#)

Feb 28, 2024

Attention BAB Issuers: Extraordinary Optional Redemption is Available - Orrick

For more than 10 years, as the subsidy for direct payment Build America Bonds (BABs) has been less than originally promised due to sequestration, issuers have wondered if sequestration constituted an "extraordinary event" that would trigger their right to seek extraordinary optional redemption.

A recently concluded court case provides favorable guidance for issuers. Although the specific language must be reviewed in each case, we believe extraordinary optional redemption is available for issuers of BABs in most cases.

Key Context

Most BABs were issued with an extraordinary optional redemption feature (less costly) and a make whole call feature (more costly). The extraordinary optional redemption was intended to be available if the 35% subsidy rate was reduced for reasons other than the fault of the issuer.

The 35% subsidy for BABs has been reduced since 2013 through sequestration.

An issuer's ability to exercise the extraordinary optional redemption turns on whether there has been an "extraordinary event" as defined in the extraordinary optional redemption provision for the specific bonds.

[Continue reading.](#)

by Charles C. Cardall & Barbara Jane League

February.21.2024

[A Surge in Build America Bonds Calls: Navigating the Waters of Extraordinary Redemption.](#)

Discover the impact of issuers activating ERP clauses on Build America Bonds (BABs) and its ripple effects on the municipal financing landscape. Gain insights into the strategic implications for investors and issuers in navigating this evolving trend.

Amid the echoes of bustling Wall Street and the undercurrents of a shifting financial landscape, a notable trend has emerged, capturing the attention of investors and municipal entities alike. The spotlight has turned towards the Build America Bonds (BABs), a relic of the post-2008 economic recovery era, as issuers increasingly exercise their right to call these bonds early under an 'extraordinary redemption provision' (ERP). This maneuver, spurred by recent court rulings and the prevailing interest rate environment, marks a pivotal moment that could reshape the terrain of municipal financing.

Understanding the Surge in ERP Calls

The genesis of this trend can be traced back to the inception of BABs during the fiscal stimulus efforts of 2009 and 2010. Designed to invigorate infrastructure projects and local economies, BABs offered a 35% subsidy on interest payments from the federal government to issuers, a lifeline that has since been repeatedly undercut by sequestration. However, the interpretation of sequestration as an 'extraordinary event' has been a subject of debate, leaving issuers in a limbo over their right to seek extraordinary optional redemption. The tide turned with a favorable court decision that clarified sequestration's adverse impact on subsidy payments, emboldening issuers to activate their ERP clauses. With around \$110 billion of BABs harboring embedded ERP calls, and only a fraction deemed economical to call thus far, the stage is set for a significant uptick in activity. This year alone, the anticipation of \$20 billion to \$30 billion in ERP exercises presents a watershed moment, with potential reverberations across the taxable municipal bond market.

The Ripple Effects

The unfolding scenario presents a dichotomy of impacts. On one hand, the proactive redemption of BABs could signal a more assertive stance by issuers against the backdrop of fiscal challenges, offering a pathway to refinance at potentially lower interest rates. This strategic recalibration could enhance fiscal sustainability for municipalities, nurturing an environment ripe for fresh investments. On the flip side, the surge in ERP calls injects a dose of uncertainty into the market, potentially rattling investor confidence. The specter of premature redemptions may deter participation in future deals, casting a long shadow over the attractiveness of similar taxable municipal offerings. Furthermore, this trend underscores the intricate dance between fiscal policy decisions and market dynamics, a balancing act that demands meticulous navigation by all stakeholders involved.

Looking Ahead

As we stand at the crossroads of this significant shift, the broader implications for the municipal bond market loom large. The increasing exercise of ERP rights by BAB issuers not only reshapes the immediate landscape but also sets a precedent for how extraordinary events are navigated in municipal finance. Investors and issuers alike are keenly watching how this wave of ERP calls

unfolds, gauging its impact on market sentiment and future issuance strategies. Amidst this flux, the resilience and adaptability of the municipal bond market are put to the test, offering a compelling narrative on the interplay between policy, finance, and market dynamics. As the story of BABs continues to evolve, the lessons learned may well chart the course for the next chapter in municipal financing.

bnnbreaking.com

by Waqas Arain

26 Feb 2024

Issuers Expected to Call \$20B to \$30B of BABs This Year.

Clarity from a recent court ruling along with the level of current interest rates will likely lead to a dramatic increase in Build America Bonds being called by issuers this year, market participants say.

While only a small amount of BABs have been called using an “extraordinary redemption provision” since sequestration of BABs subsidies began in 2013, that should change as more issuers look to take advantage of using sequestration as a reason to exercise it, with analysts expecting the largest year of BABs called by the ERP to date.

For over a decade, as the subsidy for direct-pay BABs “has been less than originally promised due to sequestration, issuers have wondered if sequestration constituted an ‘extraordinary event’ that would trigger their right to seek extraordinary optional redemption,” said Orrick partners Charles C. Cardall and Barbara Jane League in a report posted on the firm’s website.

While BABs were issued with the expectation that the subsidy would not be reduced retroactively, the 35% subsidy for BABs has been reduced through sequestration numerous times. The current sequestration rate reduction is at 5.7%.

A recently concluded court case, *Indiana Municipal Power Agency v. U.S.*, provides “favorable guidance” for issuers, Cardall and League noted, as it supports the conclusion that sequestration resulted in a materially adverse change to the cash subsidy payment obligation.”

Between 2009 and 2010, more than \$180 billion of BABs were issued. They were priced with three types of calls - the optional, the make-whole call, and the extraordinary redemption provision call - but the vast majority were issued with embedded extraordinary redemption calls.

“A lot of people are looking at the court language and viewing that as very hopeful” because of what it might mean for the ERP, a lawyer said.

While the specific language has to be reviewed on a case-by-case basis, Cardall and League believe the “extraordinary optional redemption is available for issuers of BABs in most cases.”

J.P. Morgan strategists concurred, saying most ERPs are “actionable” after reviewing BAB ERP language from “representative bonds” from BABs 20 largest issuers.

The outstanding BABs universe with ERPs is only about 13% of the taxable muni market, according to a recent Barclays PLC (JJCTF) report.

There is currently around \$110 billion of BABs with embedded ERP calls, but \$20 billion is “out of the money because the bonds trade at wider spreads, are below par, or have low ERP strikes,” they said.

Of the remaining \$90 billion, Barclays (JJCTF) strategists expect \$20 billion to \$30 billion of ERPs to be triggered this year.

From 2018 to 2022, BABs ERPs were “rarely exercised,” J.P. Morgan strategists said.

In 2023, two large deals exercised their ERP, taking \$800 million out from the taxable market – \$399 million from the Santa Clara Valley Transportation Authority and \$386 million from the Ohio Water Development Authority, they said.

And so far this year, several issuers have already called their bonds, and others have given notice to investors that they are considering taking the bonds out, Barclays (JJCTF) strategists said.

The Maryland State Transportation Authority ERP called their BABs bonds last week, worth \$721 million, J.P. Morgan strategists said.

Three other issuers, the Bay Area Toll Authority, the Los Angeles Unified School District and the University of California, which represent \$5.4 billion of outstanding debt, have announced they plan to do the same later this year, they noted.

J.P. Morgan strategists said “higher-quality (A or better), lower-coupon, shorter-dated (maturity or average-life) bonds have the highest probability of being refunded.” They believe there are \$30 billion to \$60 billion of BAB bonds outstanding that achieve adequate savings.

“This year looks set to be the largest BAB ERP call year by a large margin,” Barclays (JJCTF) strategists said.

This interest, Barclays (JJCTF) strategists said, has led to BAB spreads “adjusting wider,” though it “may have been just an excuse for investors to take profits after a four-month rally, but there has clearly been a catalyst, as several large deals will likely exercise their ERPs.”

The extraordinary redemption provision can be triggered by an “extraordinary event,” but what constitutes an “extraordinary event” differs, said Vikram Rai, head of municipal markets strategy at Wells Fargo (WFC), in a report from late January.

In “broad” language, the extraordinary event happens if the 35% subsidy is reduced, while in “restrictive” language, the extraordinary event is defined more narrowly and requires a change to a specific section of the Internal Revenue Code, he said.

Some issuers “got lucky” with the use of “broad” language allowing them to “issue new debt, refund the bonds and call it at par instead of this exorbitant price that requires us to make the investor whole, basically pay them all the interest they would have gotten if the bonds had stayed outstanding from maturity,” the lawyer said.

Due to this, many of the BABs with “broad” language have already been called, with others with “restrictive” language are still waiting, the lawyer noted.

In instances when language is “restrictive,” Rai said “there is debate and confusion around whether the reduction in the BABs subsidy payment resulting from sequestration is sufficient to trigger the optional call.”

Until now, most BAB issuers had yet to be exercised due to economics, Rai said.

While the issuer could, in theory, realize long-term savings by “calling these bonds and refunding them at lower rates, the upfront cost made it prohibitive,” he said.

In instances when the ERP language “enabled issuers to call the bonds at par or only at a slight premium, exercising the ERP call made sense and thus issuers did so,” Rai said.

Due to higher interest rates, the bond prices are trading closer to par, meaning it makes economic sense for the ERP call, especially for shorter maturity securities, he said.

Additionally, the issuers “would want to reduce the risk of further cuts to the subsidy payments and also reduce the administrative burden,” Rai said.

When an issuer triggers an ERP, “it’s done in the context of a refinancing deal, which is a new transaction and [has] new underwriters,” the lawyer said.

Based on the way rates have moved over the last several years, the lawyer said it has made “potentially invoking these things more attractive than it was five or six years ago,” the source said.

While some issuers previously did complete such redemptions, the decision to trigger an ERP is a mix of both reduced subsidy and the right market conditions, which may be why now BABs with ERPs are seeing an increase, given the interest rate movement bonds, said David Erdman, managing director at Baker Tilly Municipal Advisors.

“The market [conditions] are a consideration for implementing or invoking the extraordinary redemption provision,” he said.

Furthermore, if there is a correction of the inverted yield curve and a reduction of interest rates in shorter maturities, he believes calling BABs through ERPs could become more attractive for issuers.

Barclays (JJCTF) strategists noted there are some positives and negatives to the resurgence of BABs through ERPs.

Over the past several years, “only ERPs with strikes at T+100bp have been triggered,” but there may be “some par ERPs exercised as well, although they are mostly embedded in smaller deals,” they said.

However, “even accounting for tighter spreads and low MMD-UST ratios, the economics do not work well for many issuers,” they said.

Municipalities will also have to consider “whether calling BABs through ERPs that were triggered because of a technicality might negatively affect investors’ desire to participate in future deals,” they said.

While the \$20 billion to \$30 billion of BABs triggered through ERPs this year would lead to even more “robust” tax-exempt issuance, it would have the opposite effect on the already estimated low supply in the taxable market, according to Barclays (JJCTF) strategists.

And even though the “BAB portion of the market might be under pressure, there could be some segmentation, and non-BAB taxables, BABs without ERPs or with much lower ERP strikes, and bonds with corporate CUSIPs might actually outperform,” they said.

Additionally, BABs with T+100bp ERPs could “also become more attractive if their spreads widen, and start trading closer to their strikes,” they said.

By Jessica Lerner

BY SOURCEMEDIA | MUNICIPAL | 02/26/24 12:33 PM EST

Are the Build America Rules Slowing Infrastructure Progress?

State DOTs, transit agencies and the construction industry want the White House to make it easier to comply with rules designed to include American-made products in infrastructure projects.

A key selling point of President Joe Biden’s infrastructure law was that it would help create jobs for more Americans. But new rules designed to pump up the domestic economy threaten to slow infrastructure projects and drive up their costs.

That’s been the message from state transportation departments, transit agencies and construction groups in recent weeks. They have been trying to raise the alarm with Congress and put pressure on the Biden administration to fix the slow and laborious process of complying with the law.

Transportation industry leaders say they support the goals under the Build America, Buy America Act that were included in the 2021 federal infrastructure law. The rules expand existing mandates that require certain infrastructure built with federal dollars to use U.S.-made materials. But, leaders warn, American companies and regulators often are not prepared for such a big switch.

[Continue reading.](#)

Route Fifty

by Daniel C. Vock

FEBRUARY 20, 2024

States Turn Up the Heat on ESG Investing.

At issue is whether mandates about environmental, social and governance investment strategies infringe upon a state fiduciary’s duty to maximize return

Environmental, social, and governance (ESG) investment strategies continue to gain popularity among investors and financial institutions, but with their rising prominence has come a growing divide in state attitudes about the ESG approach. ESG approaches consider the impacts that various investments have on people and the planet. They also can illuminate material risks and opportunities—such as a company’s record on employee relations or compliance with environmental regulations—that should be considered as part of any financial decision-making.

In recent years, four states—Colorado, Illinois, Maine, and Maryland—enacted legislation encouraging public pension funds to include ESG factors in investment decisions, while in 2023

alone, 14 states adopted laws discouraging ESG considerations or banning ties to financial companies that do so. Most of this state legislation has focused on public pension investments, although some bills have encompassed other aspects of government finance, including banking, contracts, and borrowing.

Moreover, several states that have proposed but not passed ESG-related legislation—such as Arizona and Missouri—have introduced bills again in 2024. And lawmakers in California are still considering legislation that would require the state’s pension systems to divest from fossil fuels by July 2031.

[Continue reading.](#)

Route Fifty

by Liz Farmer

FEBRUARY 21, 2024

S&P Outlook For U.S. Independent Schools: Healthy Demand Trends Drive Steady Sector Performance

Sector View: Stable

S&P Global Ratings’ outlook on the U.S. independent school sector is stable, anchored by continued healthy demand trends, steady operating performance, and strengthened resources due to a rebound in market returns. In 2024, we expect schools will remain focused on sustaining demand and demonstrate nimble financial planning to support stability, despite rising expense pressures, slower economic growth, and an increasingly competitive landscape.

[Continue reading.](#)

22 Feb, 2024

Fitch: US NFP Hospital Median 2023 Preview Shows Decline; Improvement Expected

Fitch Ratings-Chicago/New York/Austin-21 February 2024: A preview of calendar year (CY) 2023 Fitch-rated not-for-profit (NFP) hospital performance medians initially reveals a continued decline in operating results, albeit not as severe as in CY2022, but likely marks a turning point, Fitch Ratings says. We anticipate that the full CY2023 median results will improve, but remain well below pre-pandemic levels. More positively, early medians, which reflect audited financial results for hospitals with a FYE in 1H2023, highlight balance sheet stability and stronger leverage metrics compared with the prior year, which are consistent with Fitch’s final CY2023 median expectations.

Our full year median projections of operational performance metrics are based on several factors. Improvement in key indicators such as personnel expense as a percent of total revenue and revenue growth versus expense growth in 1H2023 relative to 1H2022 is likely to continue in 2H2023. We anticipate the results of hospitals with later FYEs (Sept. 30 and Dec. 31) will reflect the

comparatively more profitable months in the latter half of fiscal 2023, pulling up the full year medians for all rated hospitals.

Fitch's full CY2022 medians marked a low point in the sector, with significantly pressured operating margins falling to just 0.2% from the 0.9% operating margin median suggested by providers with mid-year FYEs. We anticipated this decline at this time last year, with materially weaker profitability and reduced liquidity due to expense increases and investment market losses in 2022.

[Continue reading.](#)

Colorado Ski Town Sells Housing Bonds in Bid to Retain Teachers.

- **Telluride is latest vacation hamlet with locals priced out**
- **School district says jobs go unfilled without homes available**

Telluride, a ski resort destination in Colorado, is the first vacation town to sell municipal bonds for affordable housing this year. It likely won't be the last.

The reason for last week's sale is immediately apparent by typing "Homes for Sale Telluride Colorado" in an Internet browser. The websites that appear show that anyone wanting to buy a house there will need millions of dollars, maybe tens of millions.

So Telluride is "prioritizing" the acquisition and construction of affordable rental housing. Last week, Telluride School District R-1 borrowed \$31.8 million, half of which will be used to pay for 25 units of "workforce housing."

The wealthy ski area has tapped the bond market for similar reasons several times in recent years. Just last month the town borrowed \$9 million, a portion of which is being used to pay to refurbish affordable housing at an apartment building. In 2022, the town council approved spending more than \$27 million for a project containing another 27 units of affordable housing. Five years earlier, the school district borrowed \$2.5 million for more of the same.

"If there are no homes, I can't fill positions," Christine Reich, director of finance and nutrition for the school district, said in a telephone interview.

Reich's words are echoed by local officials in vacation areas nationwide. Towns heavy on quaintness and charm but light on housing supply have squeezed out locals, both ordinary and essential purpose workers, from shop help to police, firefighters and teachers.

Last year, the island of Nantucket off Cape Cod and the town of Wellfleet on the Cape each sold bonds for so-called workforce housing. Another Colorado ski town, Vail, did so in 2021. And it's not just vacation towns borrowing money to build affordable housing. Some colleges and universities, too, have sold bonds to pay for faculty housing, such as the University of Vermont and Middlebury College.

Income Gap

In Telluride, salaries in the school district range from an entry-level \$50,000 to \$94,665 for someone with a master's degree and 27 years of experience. But market-rate rentals in the town run from \$4,000 to \$5,000 per month for a one-bedroom apartment.

"We're remote," said Reich. "It's not as though you can commute in from Denver," a six-and-a-half hour drive away.

Only 55% of Telluride's housing is occupied by full-time residents, according to Treasure Walker, associate director at S&P Global Ratings. The remainder is typically used as short-term rentals and vacation homes in a town with a population of 2,620.

"There's a hyper supply-constrained environment," said Bill Fandel, the founding broker of Compass real estate in Telluride. He said that in a small town "the cost of the dirt becomes prohibitive," referring to the space needed to build housing.

The school district, which is 326 square miles, includes the towns of Telluride, Ophir, Sawpit and Mountain Village and parts of unincorporated San Miguel County, and has a population of 6,515. It also has an "exceptionally high" full value per capita (the value of all the property divided by the population) of \$2.1 million, according to Moody's Investors Service, which rates the bonds Aa2. The US median is \$117,713.

"The district is a second-home destination for the very wealthy," Moody's said. "This, coupled with an influx of residents seeking an outdoor lifestyle during the pandemic, is driving a high cost of living and challenging the district's ability to recruit and retain teachers."

The district currently provides housing to about 10% of its 136 full-time and 16 part-time personnel and wants to increase this to one-third. Base rents are 25% of salary.

Already there is a waiting list for the proposed affordable housing.

Bloomberg Markets

By Joseph Mysak Jr

February 21, 2024

[Princeton Asks Investors for \\$660 Million for Campus Upgrades.](#)

- **School preps tax-exempt bond sales managed by Goldman**
- **Princeton has top-credit ratings from Moody's and S&P**

Princeton University plans to tap the \$4 trillion municipal bond market to help finance capital projects on its New Jersey campus.

The Ivy League university, which boasts alumni like Former First Lady of the US Michelle Obama and Amazon.com Inc. founder Jeff Bezos, plans to sell \$660 million of bonds that will be used in part to fund capital plans including the building of a new campus featuring hundreds of graduate student housing units, renovations to the school's main library and updated energy, transportation and technology infrastructure.

Princeton and other elite-universities can invest in such state of the art developments even when institutions of higher education across the country are pressured because they have billions in their endowments and near world-wide name recognition. The school's impeccable credit ratings, graded the highest possible by S&P Global Ratings and Moody's Investors Service, means it can borrow cheaply and its debt is often sought after by investors.

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Bloomberg Markets

By Skylar Woodhouse

February 20, 2024

[8 States Move to Ban Utilities from Using Customer Money for Lobbying.](#)

Utilities have come under fire for lobbying to stall climate policies and keep fossil fuel plants running.

While federal law prohibits utilities from recovering lobbying expenses from customers, consumer advocates say that those rules lack teeth and aren't sufficiently enforced. Now, states are taking the lead to ban the practice. According to the utility watchdog group Energy and Policy Institute, lawmakers in eight states, including California and Maryland, have introduced bills this year that would block utilities from charging customers for the costs of lobbying, advertising, trade association dues, and other political activities. The measures build on a growing trend in state policy: Last year, Colorado, Connecticut, and Maine became the first states in the nation to pass comprehensive laws preventing utilities from passing on the costs of lobbying to ratepayers.

"There is a lot of recent success that states can look to for inspiration," said Charles Harper, power sector policy lead at the climate advocacy group Evergreen Action. "People are starting to pay attention because they're realizing that they're paying for climate denial in their bills every month."

[Continue reading.](#)

Route Fifty

By Akielly Hu

FEBRUARY 21, 2024

[Municipal Bond Outlook 2024: Are Munis a Good Investment Now?](#)

Investment experts look past peak rates and see better days ahead for muni bonds.

Tune in to your favorite news outlet during an election year, and you'll likely hear the expression "All politics is local." Made famous by former Speaker of the House Tip O'Neill, the quote emphasizes the importance of keeping track of local constituents' perspectives on the relevant issues of the day.

It's also considered table stakes for elected representatives who want to keep the folks back home satisfied with their overall job performance. Incidentally, O'Neill served his own constituents in the 8th and 11th districts of Massachusetts for 34 years, from 1953 to 1987.

[Continue reading.](#)

By Scott Ward

Jan. 29, 2024

Preston Hollow Community Capital Closes \$202,500,000 Tax-Exempt Pooled Securities (TEPSTM) Financing

Strong Investor Demand for \$135,000,000 Class A Certificates

DALLAS, February 26, 2024--(BUSINESS WIRE)--Preston Hollow Community Capital ("Preston Hollow" or "PHCC"), a provider of specialized impact financing solutions for projects of social and economic importance to local communities, announces the February 14, 2024 pricing and February 23, 2024 closing of a \$202.5 million Tax-Exempt Pooled Securities ("TEPSTM") financing through the Public Finance Authority ("PFA"). The financing consists of \$135 million of Class A Certificates, which have been assigned an Aa2 (sf) rating from Moody's Investors Service and \$67.5 million of Class B Certificates which are not rated.

The Certificates are secured by a collateral pool of tax-exempt bonds, the vast majority of which were directly originated by PHCC. TEPSTM provides PHCC with an attractive cost of capital, a more standardized financing structure and reliable access to long-term funding through the tax-exempt capital markets.

The Class A Certificates were oversubscribed, with orders from nearly 20 different investors. PHCC purchased the \$67.5MM Class B Certificates.

Jim Thompson, Chairman and CEO of Preston Hollow, commented, "This is our second TEPSTM transaction following our successful 2023 inaugural issuance, and we're gratified by the strong market reception. We see TEPSTM as a leading source of our future funding and we plan to be a regular issuer."

J.P. Morgan and Hilltop Securities Inc. served as the Underwriters for the Bonds. Kutak Rock LLP and Squire Patton Boggs (US) LLP served as counsel and disclosure counsel to the Sponsor, respectively, with Orrick and Ballard Spahr LLP serving as Underwriters' counsel.

About Preston Hollow Community Capital

Preston Hollow Community Capital is a market leader in providing specialized impact finance solutions for projects of significant social and economic importance to local communities in the United States. The Company invests in bespoke municipal finance transactions with a diversified investment portfolio. PHCC has invested over \$5.1 billion since its inception across various sectors of the municipal bond market, including real estate, K-12 and higher education, healthcare, infrastructure, hospitality, general government, and economic development.

Since its inception, Preston Hollow has raised \$1.6 billion in committed, permanent equity capital from premier sponsors like Stone Point Capital, HarbourVest Partners and TIAA. The Company has received long-term BBB (Stable) and short-term K2 (Stable) ratings from Kroll Bond Rating Agency.

Business Wire

Vanguard Launches 2 Intermediate Municipal Bond ETFs.

Municipal bonds offer a mix of relative quality and yield. So the timing couldn't be more auspicious for exchange traded fund (ETF) provider Vanguard to debut a pair of muni-focused funds. The Vanguard Intermediate-Term Tax-Exempt Bond ETF (VTEI) and the Vanguard California Tax-Exempt Bond ETF (VTEC) allow fixed income investors to reap the benefits of muni funds, each having their own strategic focus. Both funds launched today on the Cboe BZX Exchange.

In times of high inflation, these funds offer cost-conscious investors muni exposure at low expense ratios. VTEI and VTEC both have a 0.08% expense ratio, making them more cost-effective versus comparable funds in their respective space.

In the current macroeconomic environment, more fixed income investors are willing to step farther out on the yield curve to extract more yield. With the expectation that interest rates will fall this year, getting intermediate exposure via bonds with longer maturities will allow fixed income investors to lock in current yields.

That said, VTEI is ideal for investors looking for more yield while maintaining the credit quality offered by municipal debt. As mentioned, the added tax benefits of municipal debt cater to investors searching for funds that not only add income but can help minimize their tax burden. Overall, VTEI can stand alone as an investor's sole fixed income exposure or complement Vanguard's existing short-term and broad market national tax-exempt ETFs.

Fixed income investors may also want to reap the benefits of certain state-specific debt. In the case of California, VTEC is an ideal, cost-effective solution. The fund also caters to tax-sensitive investors and focuses on an intermediate-term time horizon to strike a balance between yield and mitigating rate risk. Overall, the fund provides yield that is tax exempt at both the federal and state levels for California residents.

Backed by an Experienced Management Team

While there are several ETFs on the market for muni bond exposure, Vanguard has a proven track record that extends beyond fixed income funds. Its full array of ETF products can offer broad-based exposure or more strategic exposure when a tailored portfolio approach is necessary.

Furthermore, Vanguard's Fixed Income Group consists of an experienced municipal portfolio management team with proven expertise, along with an aforementioned track record for producing strong client outcomes. Munis can be a complex segment of the bond market, but Vanguard's municipal bond team includes 40 tenured portfolio managers, traders, and analysts with deep experience, scale, and sophisticated strategies to deftly navigate the market.

ETF TRENDS

by BEN HERNANDEZ

JANUARY 30, 2024

Cash Alternatives: How Short-Term Munis Provide Safety, Liquidity, and Tax Benefits

Savers have been rejoicing over the last year or so. With the Fed raising benchmark rates, CDs, money market funds, and even checking accounts have started to pay some meaningful interest. This has been wonderful news for those seeking income. However, as they say, "No good deed goes unpunished."

And in this case, we're talking about taxes.

It's been a long time since investors have had to think about interest income and taxes with regard to their savings accounts. But after the yield bonanza of the last few years, tax bills are expected to be heavy. But there is a solution that investors may want to consider. Short-term municipal bonds offer safety, liquidity, and income without many of the tax surprises.

[Continue reading.](#)

dividend.com

by Aaron Levitt

Jan 30, 2024

Average Underwriting Spreads Stagnant in 2023, but Negotiated, Refunding Spreads Rise.

Average underwriting spreads for all bonds were stagnant in 2023, continuing a 15-year downward trend, but negotiated and refunding deal spreads rose while competitive spreads fell.

Underwriter spread ticked up slightly, rising to \$3.66 in 2023 from \$3.64 in 2022. Spreads on negotiated bonds rose to \$3.76 in 2023 from \$3.62 in 2022, while spreads on competitive deals fell to \$2.71 from 2022's \$3.89, according to LSEG data.

Refunding spreads rose to \$3.36 in 2023 from \$2.86 a year prior, while new-money spreads dropped to \$3.79 from \$3.84 over the same period, per LSEG.

The decline of underwriting spreads has been happening for several years, and Michael Decker, senior vice president of policy and research at Bond Dealers of America, sees that trend continuing as firms become more efficient, reduce business costs and leverage technology, thus driving spreads lower, he said.

The gross underwriting spread is the payment or discount that an underwriter receives for marketing a deal. It is calculated as the dollar amount of the underwriting discount per \$1,000 of an issue.

"Tight underwriting spreads in 2023 followed, for the most part, a well-entrenched trajectory that has backdropped the primary municipal market for years, and so the negligible bump in spreads does not come as a surprise," said Jeff Lipton, managing director of credit research at Oppenheimer.

Spreads first fell below \$4 in 2022, the first time in almost 20 years, well below the \$5.58 in 2004. Spreads fluctuated between nearly \$5 and \$5.50 from 2004 through 2008 before hitting a high of \$6.21 in 2009. From there, spreads continued to trend downward.

The first half of 2023 saw underwriting spreads rise to \$3.70 billion in 1H 2023 from \$3.54 in 1H 2022.

Wider spreads during the first half of last year were tied to specific market conditions at that time, according to Lipton.

"Banks had stepped away to some extent given the dislocations of last March from [Silicon Valley Bank] and the easing desirability of tax-exempt munis given the cost-of-funds for banks and taxable equivalent yield analysis," he said.

Some other institutional buyers took "to the sidelines" amid heavy market volatility, he said.

Last year's supply "received ample support from active Q4 issuance, helping to normalize spreads," Lipton said. Issuance in 2023 ticked down 1.7% to \$384.715 billion.

Additionally, part of the underwriting spread compression comes from increased competition in the muni market, market participants said.

"What you're seeing is the race to the bottom, in terms of folks that are trying to win deals," said Laci Knowles, a managing director and public finance banker at D.A. Davidson.

The muni market is a volume-based business, and to make money firms need to do a large number of deals, she said.

And if firms lower their fees, they can secure more deals, adding more money to their balance sheets, she said.

"There's no secret sauce to do any types of transactions for a number of them, and so people can do them for lower fees," Knowles said. "And maybe the deal isn't perfect, but it gets it over the finish line."

That competition partly contributed to the exit of Citi and UBS, participants say.

The business departures by Citi and UBS could have intermittent implications for underwriting spreads, but the commitments entered into by other dealers should help to contain any meaningful spread movement, Lipton said.

While there may not be a quantitative loss by the exit of two major underwriters, Decker said there are opportunities for the remaining firms to access talent they may have been unable to recruit otherwise.

"The idea that two fewer firms are chasing after the same issue will hopefully make things a little easier for the firms that remain," he said.

Despite the decline in spreads, Decker noted spreads can only "go so low."

"Underwriters have to be able to cover their expenses when they're underwriting a deal, cover their risk, and, and make a reasonable profit on a transaction," he said.

"You get to a point where spreads are so low that the margin on a deal for an underwriter becomes

thin, but there's a floor there," Decker noted.

Given expectations for higher supply this year, underwriting spreads should remain tight, Lipton said.

"Unforeseen market and/or credit conditions could result in noted advances in spreads, yet such conditions could prove transitory, with spreads reverting to lower levels," he said.

For example, Lipton noted "a large deal or several large deals could create wider spreads as more spread is usually needed to move paper and hedge risk."

Should headline risk emerge surrounding a particular credit or sector, he said "spreads could temporarily expand until market participants have time to digest the development and hopefully conclude that there is no systemic impact across the municipal asset class."

By Jessica Lerner

BY SOURCEMEDIA | MUNICIPAL | 08:59 AM EST

As Pandemic Aid Winds Down, States Scramble to Fill Gaps.

COVID-19 left a lasting mark on a few sectors, with schools, public transit and child care providers facing fiscal cliffs as federal funding dries up. State legislators, many already grappling with shortfalls, are looking for solutions.

Between 2020 and 2021, the federal government passed six relief bills in response to the COVID-19 pandemic that provided additional funding for state and local governments, Medicaid, and particularly hard-hit public sectors such as transit. All told, states received an unprecedented \$800 billion in relief during this time, including \$307 billion in flexible fiscal recovery funding that went directly to state coffers. Now, however, most pandemic aid programs have either ended or are slated to do so by the end of 2024. And with sectors such as public education, child care, and transit having suffered lasting harm from the pandemic, the end of that funding means state policymakers throughout the country will have tough decisions to make in the upcoming legislative session.

Among the aid programs that have already expired or are winding down in 2024 are the Medicaid funding boost that Congress authorized in 2020; nearly \$16 billion in emergency funding for struggling public transit systems and for Amtrak; the Elementary and Secondary School Emergency Relief (ESSER) Fund, which provided a total of \$190 billion to schools; and \$24 billion in child care stabilization funds from 2021's American Rescue Plan Act. In addition, states must allocate any of their remaining flexible recovery funds by the end of this year.

[Continue reading.](#)

ROUTE FIFTY

by LIZ FARMER

FEBRUARY 12, 2024

Q&A: Machine-Learning Model Tracks Trends in Public Finance Research.

What are the leading topics in public finance and budgeting, how have they changed, and what future topics should be more closely researched by professionals and practitioners?

Can Chen and two of his former doctoral students, Shiyang Xiao at Syracuse University and Boyuan Zhao at Florida International University, used a machine-learning technique—structural topic modeling (STM)—to identify these themes and their dynamics over the past 40 years for an [article](#) recently published in the journal *Public Budgeting & Finance*.

Using the STM, Chen and his colleagues identified 15 latent topics in the areas of public budgeting, public finance and public financial management from the titles and abstracts of 1,028 articles published in the journal from 1981 to 2020. They compared these topics against those covered by standard exams for Certified Public Finance Officers (CPFO) and found much overlap. However, some topics that were mentioned less often may hint at some underexplored research agendas in PB&F.

[Continue reading.](#)

by Jennifer Ellen French, Georgia State University

FEBRUARY 16, 2024

S&P U.S. Not-For-Profit Health Care Rating Actions, January 2024

[View the Rating Actions.](#)

14 Feb, 2024

S&P: Financial Aid Delay Is The Latest Hurdle For U.S. Higher Education.

Key Takeaways

- The Department of Education announced recently that student applications for financial aid (FAFSA) for the 2024-2025 academic year will not be available for U.S. colleges and universities to review until at least March.
- Colleges and universities will have less time to determine financial aid packages for students and aid offers could be delayed.
- The current expected timing would leave students with less than a month before they're typically expected to commit to a college (May 1), so many schools could extend their deposit deadlines.
- The potential delay in financial aid offerings to students could affect college and university matriculations, as well as fiscal 2025 operating budgets if fall 2024 institutional financial aid ends up being materially higher than anticipated.

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Charter-School Stress Breaks Record With Pandemic Aid Ending.

- **Fifty-five charter schools are actively impaired on debt**
- **Gauge of high-yield education debt has slumped this year**

The number of distressed charter schools rose to a record in the beginning of 2024 as the sector struggles with the end of pandemic assistance and rising costs.

So far this year, five charter schools have become impaired, meaning a borrower has defaulted on their debt, broken a covenant or used some emergency means to make a payment. The impairments bring the total to 55 schools, according to a report by Municipal Market Analytics, a record that eclipsed the previous peak set during the early months of the pandemic in 2020.

Charter schools, which are privately run and publicly funded, have grown in popularity since the pandemic as some families sought alternatives to traditional public education. The number of public charter schools in the US increased by nearly 50% between 2011 and 2021, according to the National Center for Education Statistics. That growth has ramped up competition between schools for students, with shrinking class populations having the most-painful impact on smaller schools with thinner margins.

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Bloomberg Markets

By Melina Chalkia and Nic Querolo

February 9, 2024

Fitch: Bidenomics Boosts U.S. Manufacturing Output and Jobs, Primarily in South, West

Fitch Ratings-New York-15 February 2024: Investments pursuant to the Inflation Reduction Act (IRA) and CHIPS and Science Act (CHIPS Act) will provide a significant boost to semiconductor, electric vehicle (EV) and battery manufacturing, which represent around 60% of total announced spending, Fitch Ratings says. Nearly half of all planned investments are going to the South.

Texas is by far the biggest beneficiary in absolute dollar terms, receiving 20% of all announced manufacturing investments and the most new jobs. Overall announced investments as a percent of state GDP will be most meaningful for Arizona, West Virginia and Idaho at 17%, 15% and 14%, respectively.

Georgia, North Carolina, Michigan and Ohio are set to gain a large majority of new jobs, mostly in EV and battery manufacturing. These states, along with South Carolina, Kentucky, Nevada, Tennessee, Indiana, Kansas, Arizona and West Virginia, are estimated to receive the largest EV and battery manufacturing investments as a percent of state GDP, ranging between 1.3% and 3.8%.

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Public Officials Pressured to Spend Billions on Sports Venues.

Professional sports teams are on the move and they're leaning on state and local officials to help them. Subsidies exceeding \$1 billion per deal are on the table.

In Brief:

New stadiums and arenas are in the works in places including Kansas City, Philadelphia and Northern Virginia.

Elected officials are put in the position of mediating deals, with pressure not to lose marquee assets despite the cost to the public.

It's an open question whether there are real economic upsides to keeping a team that's already established in town.

This April, voters in Jackson County, Mo., will decide whether to extend a sales tax that has helped Kansas City's two biggest sports teams, the Chiefs and the Royals, build and maintain their stadiums.

Actually, it's not exactly an extension of the existing tax, which generates about \$50 million a year for the sports complex shared by the teams. The Royals, currently playing in Kauffman Stadium, a stone's throw from the Chiefs' Arrowhead Stadium, want to build a new venue downtown. The tax revenue can only be spent at the existing location. So the Royals approached Jackson County officials and asked for a new deal. They wanted a proposal put on the April ballot, which would maintain the three-eighths-cent tax, but allow the revenue to be spent at a new stadium.

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[governing.com](#)

Feb. 20, 2024 • Jared Brey

More Taxpayer Money Benefits Pro Sports Owners Amid 'Stadium Construction Wave'

Research shows stadium and arena projects are poor public investments.

As sports stadiums built in the 1990s show their age, many professional sports teams are looking for new facilities — and public money to pay for them.

"We are just in the heating up phase of the next stadium construction wave," said J.C. Bradbury, a Kennesaw State University economics professor who has researched the issue. "That's part of the reason why you're seeing a lot more stadiums happen."

Across the country, pro sports teams are gearing up to improve or build new stadiums and arenas. In

Chicago, both the NFL's Bears and the MLB's White Sox are exploring moves. Baseball's Cleveland Guardians, Milwaukee Brewers, Oakland Athletics and Kansas City Royals are all working toward new or improved stadiums. So are the NBA's Philadelphia 76ers, Oklahoma City Thunder and Los Angeles Clippers.

[Continue reading.](#)

STATELINE.ORG

BY: KEVIN HARDY - FEBRUARY 20, 2024

US Airports Get Nearly \$1 Billion in Federal Funds for Makeovers.

- **Biden administration says \$970 million will go to 114 airports**
- **Advocates say \$151 billion investment needed through 2027**

More than 100 US airports will be awarded \$970 million in federal grants, the latest effort to upgrade the nation's infrastructure — a top priority of President Joe Biden.

The new funding, announced Thursday, comes as airports in recent years have raced to modernize terminals and add new amenities, seeking to ride a rebound in air travel after the coronavirus pandemic. The latest round is on top of the nearly \$2 billion granted to airports over the past two years for capital improvement projects that include wider concourses, adding extra gates to accommodate more plane service and ensuring airports meet Americans with Disabilities Act standards.

"America has been thinking a lot about air traffic lately," US Transportation Secretary Pete Buttigieg said on a call with reporters Wednesday. "A flight doesn't begin just when you settle into your seat on board. First, you're in the terminal and your experience depends in many ways on the conditions of that terminal building."

[Continue reading.](#)

Bloomberg Politics

By Skylar Woodhouse

February 15, 2024

The Stanford Professor Taking on Racism in the \$4 Trillion Muni-Bond Market.

Historian Destin Jenkins studies how municipal bonds have contributed to inequality in American cities

The municipal-bond market is a sleepy corner of Wall Street that finances America's roads and sewers. It also features in the nation's history of racial inequality, and Destin Jenkins wants to show you how.

People tend to think of munis—if they think of them at all—as the boring part of their investment portfolio, or the funding for the new school being built down the street. The bankers and bureaucrats involved in the day-to-day operations of the \$4 trillion market for state and local debt tend to be more focused on yield curves than historical transgressions.

But the market has also, many argue, helped some Americans a lot more than others. Studies show that Black communities often pay more to borrow in the muni market. Jenkins's own research has found that white residents have benefited the most from some projects funded by citywide taxes.

[Continue reading.](#)

The Wall Street Journal

By Heather Gillers

Feb. 15, 2024

[Finance and Climate Action: A Symbiotic Relationship Reshaping Urban Landscapes](#)

Municipal finance plays a vital role in shaping urban responses to climate change. By integrating climate considerations into financial decisions, cities can build resilient and inclusive ecosystems.

[View the BNN report.](#)

bnnbreaking.com

by BNN Correspondents

16 Feb 2024

[Take Advantage of These Muni ETFs Before Fed Cuts Rates.](#)

The Federal Reserve standing pat on interest rates for the time being leaves the window open for fixed income investors to take advantage of current yields. That also includes muni bond exposure, but investors may want to take advantage before that proverbial window shuts.

An Institutional Investor article cited this opportunity in municipal bonds, highlighting the yield the debt is currently offering to the institutional space. Additionally, munis offer a higher degree of quality without taking on more credit risk versus, say, corporate debt, while still maintaining attractive yields. However, yields in the municipal bond market may not stay this appealing for long.

“Muni yields reached 4.72 percent in October — the highest they had been in more than a decade — and have since fallen to 3.91 percent,” the article said. “Still, munis, for now, have relatively attractive yields.”

As the article reiterated, “for now” speaks to the eventual rate cuts by a data-dependent Fed. Once

the central bank gets its confirmation, rate cuts will shutter that opportunity window.

[Continue reading.](#)

ETFTRENDS.COM

by BEN HERNANDEZ

FEBRUARY 15, 2024

Seizing Opportunities in the Municipal Bond Market: Navigating Regulatory Changes and Evolving Investment Trends

The municipal bond market offers attractive yields and plays a crucial role in financing US public infrastructure. Investors should act before potential Fed rate cuts, while understanding the regulatory landscape and evolving investment strategies.

In the labyrinth of financial markets, the municipal bond market often gets overshadowed by its more glamorous counterparts. Yet, with yields reaching a notable 4.72 percent in October before settling at 3.91 percent, it's clear why this segment is attracting the spotlight. Today, we delve into the opportunities within this market, emphasizing the urgency for investors to act before potential Federal Reserve rate cuts. Moreover, we'll explore the implications of recent regulatory actions and the evolving landscape that could shape investment strategies in 2024.

A Glimpse into Today's Market

The allure of municipal bonds lies not just in their attractive yields compared to corporate debt but also in their fundamental role in financing public infrastructure across the United States. Amid economic growth and inflation concerns, the municipal bond market has become a beacon for fixed income investors seeking refuge and profitability. The recent uptick in yields has cast a spotlight on muni-focused exchange-traded funds, such as the American Century Diversified Municipal Bond ETF and the Avantis Core Municipal Fixed Income ETF, offering retail investors a gateway to this market's benefits.

[Continue reading.](#)

bnnbreaking.com

by Mahnoor Jehangir

15 Feb 2024

BlackRock: Muni Investors Rewarded by Patience To Start 2024

January update

- Municipal bonds posted negative total returns as the market reassessed macro expectations.
- Seasonal supply-and-demand dynamics were supportive, albeit less so than in prior years.

- We maintain some caution until absolute and relative valuations are more attractive.

Market overview

After posting the strongest performance since the mid-1980s during the fourth quarter of 2023, municipal bonds took a breather in January. The asset class produced modestly negative total returns amid a macro-backdrop that generally unfolded as anticipated (see our 2024 Municipal Market Outlook). Economic growth remained firm and continued to eclipse projections, causing the market to reduce forward expectations for monetary policy easing, both in timing and in magnitude. As a result, the Treasury curve steepened with front-end rates falling and back-end rates rising. Given rich valuations, municipals modestly underperformed comparable Treasuries, and the S&P Municipal Bond Index returned -0.15%. Shorter-duration (i.e., less sensitive to interest rate changes) and single-A rated bonds performed best.

[Continue reading.](#)

by Team of BlackRock, 2/13/24

Investors Who Bet on Megacap Tech Stocks Should Consider Munis, Nuveen Says.

Saira Malik, chief investment officer of Nuveen, has a pitch for investors who have bet heavily on a group of tech megacap stocks called the Magnificent Seven: it's time to invest in US state and local debt.

"Investors with significant exposure to the Magnificent Seven may want to consider diversifying toward asset classes that were left behind in last year's broad rally, yet still offer attractive risk/reward profiles," Malik said in a note on Monday. "In our view, that calls for taking advantage of the opportunities in fixed income — municipal bonds in particular."

The group of tech stocks includes names like Alphabet Inc., Amazon.com Inc., and Apple Inc. Malik said those tech stocks are vulnerable to pullbacks given the run-up they've seen and the uncertainty around when the Federal Reserve will cut interest rates.

[Continue reading.](#)

Bloomberg Markets

By Amanda Albright

February 12, 2024

The Biggest Finance and Management Issues to Watch in 2024

State budgets are on track for modest growth even as federal fiscal recovery funds wane, pension underfunding persists and AI promises (or threatens) to change everything.

AI

Artificial intelligence has been around since the 1950s, but its sudden emergence as a consumer product and its potential to disrupt nearly every activity and industry has state lawmakers scrambling to address it. A dozen states have already enacted laws demanding agency research of AI and its use and consequences, while half the states have introduced bills to address its application both in government and the broader economy.

AI has incredible potential for handling data, automating repetitive tasks and generally making many functions easier for humans to handle. But lawmakers at this point are rushing to get ahead of possible downside risks. President Joe Biden issued an [executive order](#) laying out guidelines for “safe, secure and trustworthy use” of AI in October, while the European Union reached agreement on a sweeping set of policies last month.

[Continue reading.](#)

governing.com

by Jared Brey, Zina Hutton, Carl Smith

Feb. 8, 2024

[Municipal Bonds for Private Projects Labeled as Green Stand Out as Risky.](#)

- **Green bonds made up 45% of industrial development defaults**
- **The designation may signify ‘some kind of credit infirmity’**

Municipal bond investors seeking higher returns from social or environmental do-good projects should be very wary.

That’s according to Municipal Market Analytics. Industrial development bonds, which are sold by local and state governments to finance private projects like energy and recycling plants, carry more risk than other types of muni bonds. Moreover, those labeled green accounted for 45% of first-time payment defaults by IDB borrowers since 2021, a MMA analysis said.

“For investors, the implications are clear: spend more time underwriting and surveilling the credit profile of green-labeled IDBs,” Matt Fabian and Lisa Washburn, analysts at MMA, wrote in a report. “Projects selling themselves as green may have been stretching to attract investors, potentially signifying some kind of credit infirmity or other liquidity/structural challenges.”

[Continue reading.](#)

Bloomberg Markets

By Lauren Coleman-Lochner

February 6, 2024

[Fitch Ratings Publishes State Revolving Fund and Municipal Finance Pool](#)

Program 2024 Peer Review.

Fitch Ratings-New York/Austin-12 February 2024: Fitch Ratings has published its “Peer Review of State Revolving Fund and Municipal Finance Pool Programs – 2024.” All but one of the state revolving funds and municipal finance pool programs in the Fitch-rated portfolio are rated ‘AAA’, according to Fitch’s report. The sector’s high credit quality reflects the programs’ robust financial structures and sound credit quality of the underlying pool participants.

The overall median Program Asset Strength Ratio (PASR), a measure of financial strength for the sector, was 2.2x in 2023, which is incrementally higher than the historical range of 1.8x-2.1x registered since 2014. The PASR, an asset-to-liability ratio, is calculated by dividing the amount of aggregate pledged assets, including scheduled obligor repayments, reserve funds and account earnings, by aggregate outstanding debt service. Pool quality also remains stable and sound, with a median level of investment-grade or higher entities of 77% across all included programs.

For more information, Fitch’s “Peer Review of State Revolving Fund and Municipal Finance Pool Programs – 2024” is available at www.fitchratings.com.

Fitch: U.S. Public Pensions Highly Vulnerable to Market Correction

Fitch Ratings-New York-05 February 2024: Investment volatility has re-emerged as a key concern for defined benefit public pension plans since the pandemic began, signalling the risk that market corrections can set back progress in stabilizing funded ratios and trigger higher contributions, Fitch Ratings says.

Asset values surged in 2021 followed by sharp reversal in 2022 and a rebound in 2023. Based on audits of almost 100 major state pension plans, fiduciary plan assets rose a median of 24.4% in fiscal 2021, then fell 7% yoy in fiscal 2022. For major plans reporting fiscal 2023 audits to date, fiduciary plan assets are showing modest gains, near or just below the average investment return assumption (IRA) of about 6.9%.

While fiscal 2021 market returns were remarkably positive, recent market gyrations underscore the vulnerability of pensions to market shocks. We do not anticipate a market downturn similar to the Global Financial Crisis (GFC), when average returns fell 7.7% in 2008 and 17.9% in 2009, but a severe market correction would pressure funded ratios and require plans and governments to once again correct course to stabilize plans.

Since the GFC, plans and their sponsors have taken broad actions to improve pension sustainability. Most notable has been reducing the IRA, which now averages less than 6.9% compared with 8% during the GFC; Fitch views lower IRAs and the resulting higher liabilities as better reflecting the magnitude of the burden posed by pension commitments. Other plan changes include trimming benefits for new hires, shifting to more conservative mortality assumptions, tightening amortization practices and raising target contributions. Plan sponsors have also improved their contribution practices, with 36 states paying at least 100% of actuarial contributions in fiscal 2022, up from 25 in fiscal 2016. Nevertheless, to the extent that actual plan experience does not match expectations, governments need to make up the difference via higher future contributions, reducing expenditure flexibility and pressuring local and state budgets.

Pensions have also ramped up risk disclosure, including the risk of future market shock. For

example, CalPERS, the largest public system, which provides pensions to the state and most local employers through hundreds of plans in its Public Employees Retirement Fund (PERF), has been a leader in risk disclosure through its Annual Review of Funding Levels and Risks report. The 2023 report, published last November, calculates the probability of its plans falling below 50% funded ratios at some point in the next 30 years, with the median probability at 22.8% for its miscellaneous plans (covering general employees), and 25.3% for its public safety plans.

Significant pension asset performance below target levels ultimately requires ongoing higher contributions by participating governments, and CalPERS already acknowledges that some “are under significant strain” in meeting this objective; CalPERS participants have no meaningful discretion to underpay. Current employer contribution rates as a percentage of payroll are sizable, and could go higher still; the average fiscal 2024 contribution rates are 26.4% for miscellaneous plans and 51.3% for public safety plans. These rates are forecast to rise by fiscal 2029 to an average of 31.1% and 62.6%, respectively.

Since the GFC, CalPERS and the state have taken substantial steps to mitigate pension risks, including reducing benefits for recent hires and lowering discount rates. The PERF funded ratio is estimated at 72% as of June 30, 2023 based on a 6.8% IRA, compared with 69.8% a decade ago, when the IRA was 7.5%. Assuming future experience matches current assumptions, including consistent 6.8% returns, CalPERS estimates a 15%-20% funded ratio increase over 10 years.

Fitch: Medicare Advantage Challenges Credit Neutral for U.S. Health Care Industry

Fitch Ratings-New York/Chicago/Austin-07 February 2024: Recent instability in Medicare Advantage (MA), driven by a convergence of program adjustments and an unexpected increase in utilization, has muddled the outlook for the program, but is expected to be largely credit-neutral for most rated health insurers and healthcare providers, Fitch Ratings says.

Some of the disruption in MA reflects renewed efforts by the Centers for Medicare and Medicaid Services (CMS) to rein in the rate of growth in expenditures for the Medicare program while attempting to maintain stable coverage for U.S. seniors. The recent tightening within the program follows a moderate relaxation of funding constraints during the pandemic to deal with morbidity associated with Covid-19 infections.

For U.S. health insurers, weaker payment rates combined with changes in the Star Ratings program and the risk adjustment model are increasing complexity in benefit offerings and pricing decisions. An increase in utilization beginning in 2023, driven in large part by the return of elective procedures that were deferred during the pandemic, has placed upward pressure on medical loss ratios for the MA business, and new rules around prior authorizations will likely further increase costs. The adverse effect of this elevated utilization has been most pronounced for insurers with high proportional exposure to MA business.

Fitch-rated health insurers generally have sufficient ratings headroom to withstand higher MA utilization rates, with broader medical loss ratios remaining within ratings expectations for most insurers. We expect stability to return to the business over the next 12 to 18 months as the higher utilization and hangover effects from the pandemic normalize and carriers adjust to administrative changes in the program.

While these developments appear to be placing downward pressure on MA margins for insurers, the popularity of such programs may promote a modest positive in terms of volume for some provider systems. For-profit health systems in particular benefitted in 2023 from above-average same-facility volume growth, including an upturn in inpatient volumes, which have experienced headwinds in recent years from outmigration of lower-complexity surgical procedures to outpatient settings, including ambulatory surgery centers.

The aforementioned increase in Medicare Advantage patient volumes has played a key role in the overall volume upturn, which helped stabilize provider margins and operating performance generally after a challenging 2022. During 2022, pandemic-constrained labor availability posed headwinds to both volumes and compensation costs, the latter including high temporary labor costs that notably receded over the course of 2023.

Despite the positive volume aspect of increased utilization for provider systems, however, there appears to be a growing trend, particularly among some not-for-profit providers, to exit network contracts with some MA insurers. Reasons often cited by the systems include administrative challenges, slow payments and denial of prior authorizations for care.

MA business is more exposed to federal government intervention and oversight relative to commercial business. It typically generates moderately lower EBITDA-based margins for health insurers relative to commercial membership, although absolute earnings per member are generally higher. In 2023, 30.8 million people were enrolled in MA, or 51% of the eligible Medicare population, and accounted for \$454 billion (or 54%) of total federal Medicare spending, according to the Kaiser Foundation. UnitedHealthcare and Humana comprise nearly half (47%) of all Medicare Advantage enrollees nationwide.

The MA business will continue to be an important focus of U.S. health insurers, despite the current modest disruption. As the U.S. population continues to age, resulting in new beneficiaries eligible for the program, Medicare Advantage will continue to be a strong source of revenue growth for health insurers and healthcare providers in the coming years.

Charter-School Stress Breaks Record With Pandemic Aid Ending.

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- **Gauge of high-yield education debt has slumped this year**

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Bloomberg Markets

By Melina Chalkia and Nic Querolo

February 9, 2024

[Machine-Learning Model Tracks Trends in Public Finance Research.](#)

ATLANTA — What are the leading topics in public finance and budgeting, how have they changed, and what future topics should be more closely researched by professionals and practitioners? [Can Chen](#) and two of his former doctoral students, Shiyang Xiao at Syracuse University and Boyuan Zhao at Florida International University, used a machine-learning technique — structural topic modeling (STM) — to identify these themes and their dynamics over the past 40 years for an [article](#) recently published in the Journal of Public Budgeting & Finance (PB&F).

Using the STM, Chen and his colleagues identified 15 latent topics in the areas of public budgeting, public finance and public financial management from the titles and abstracts of 1,028 articles published in the journal from 1981 to 2020. They compared these topics against those covered by standard exams for Certified Public Finance Officers (CPFO) and found much overlap. However, some topics that were mentioned less often may hint at some underexplored research agendas in PB&F.

Chen, an associate professor of public management and policy in the Andrew Young School of Policy Studies, directs the college's Ph.D. programs in public policy. After presenting this research at the [Next Generation Public Finance conference](#) hosted by Georgia State University, he received helpful feedback and comments he gratefully acknowledges. In the Q&A that follows, Chen reveals more about the journal, the findings and his motivation for conducting the study with his colleagues.

[Continue reading.](#)

Georgia State University

by Can Chen

FEBRUARY 12, 2024

[Who Will Fill the Void Left by Citi's Exit From the Muni Bond Business?](#)

The bank was a tech-savvy leader in underwriting and market making.

In December, Citigroup made what for decades would have been an unthinkable announcement. It was closing its municipal bond underwriting and trading business, one of the most prominent in the \$4 trillion market.

The shuttering currently underway is part of Citi's restructuring, which has already eliminated 20,000 jobs. Citi was a go-to partner for local governments seeking advice and help raising debt

capital, and its trading operation was one of the biggest. UBS also exited the muni market in 2023, but Citi's absence will create a more significant void.

Who will fill that space is uncertain. But James Morris, senior vice president at Investortools, a popular software suite in the muni market, has some expectations. Morris is a fixture in the market and his perspective includes more than 20 years of working with broker-dealers and institutional investors active in munis.

[Continue reading.](#)

Institutional Investor

by Michael Thrasher

February 5, 2024

Who Should Be in Charge of Protecting Our Water Systems from Cyber Threats?

Federal officials don't agree. Recent hacks on water systems exposed their vulnerabilities. But while some want the EPA to play a stronger role, others emphasized that local systems are best suited to defend themselves.

Who should ensure our critical water infrastructure is protected from cyberattacks? The water systems themselves? Or the Environmental Protection Agency?

A hearing last week before the House Energy and Commerce subcommittee showed there is little agreement on what role the federal government should play, if any. But the hearing did highlight the ongoing vulnerabilities in the sector.

It followed a November attack on the Municipal Water Authority of Aliquippa in Pennsylvania, which had its water management system breached by the Iran-linked Cyber Av3ngers gang. The attack prompted calls for a federal investigation into the attack, as lawmakers said Congress must act to bolster cybersecurity protections for a sector that is often underfunded, understaffed and wrestling with aging technology.

[Continue reading.](#)

Route Fifty

By Chris Teale | FEBRUARY 5, 2024

Office Buildings Remain Half Empty But US Cities Can Shrug It Off.

- **Occupancy has hovered near 50% since January 2023: Kastle**
- **S&P sees 'stable credit picture' for most major US cities**

Four years after Covid-19 filled hospital emergency rooms, closed schools and emptied out cities, US

offices remain about half vacant.

Office occupancy in 10 of the largest US metropolitan areas rose to a new high of 53% for the week ended Jan. 31, according to Kastle Systems, a firm that provides security to buildings. The firm's barometer on how corporate return-to-office policies is going has been hovering around that level for 13 months. Yet, cities are shrugging off empty offices and its implications for the commercial real estate market because they can, for now.

"Commercial real estate is not a key driver of general fund revenues for the majority of local governments," said Michael Rinaldi, head of US local governments at Fitch Ratings, in an email. "Declines can be managed through careful expenditure management and/or stability in other revenue sources, including residential property taxes, sales tax, utility taxes, etc."

[Continue reading.](#)

Bloomberg CityLab

By Joseph Mysak Jr

February 9, 2024

[What Makes a Top Performing City?](#)

The tech and hospitality industries drive sustainable economic performance, but broadband access, affordability and resilience also play key roles, according to the Milken Institute.

The Milken Institute today released the latest edition of its Best Performing Cities Index, a report that ranks hundreds of metropolitan areas on economic performance. The Austin, Texas, area ranked No. 1 among large cities for the first time since 2013, ending the three-year reign of Provo, Utah.

Idaho Falls, Idaho, was top among small cities, performing well across nearly all metrics. In addition to a strong and diverse job market, the city also has low rates of income inequality, meaning there's a relatively small difference between the highest and lowest earners' incomes.

Researchers studied more than 400 metropolitan areas and compared 13 metrics across three broad categories: labor market performance, tech industry impacts and access to economic opportunities.

[Continue reading.](#)

Route Fifty

By Molly Bolan | FEBRUARY 6, 2024

[S&P 2024 Outlook For U.S. Public Finance: A Mixed Credit Picture](#)

Key Takeaways

- We expect credit stability across most of U.S. public finance in 2024. Some sectors are facing credit pressure and their challenges are detailed in our 2024 sector outlook publications.
- Although recession risk has moderated, higher interest rates and inflation, coupled with expected slower economic growth this year, will create headwinds from a credit perspective.
- Proactive management and governance are key to credit stability, given the broad range of risks facing governments and not-for-profit entities, such as extreme weather events, cyber attacks, demographic shifts, labor force imbalance, federal policy uncertainty, and workplace trends.

[Continue reading.](#)

2 Feb, 2024

S&P: Five U.S. Public Pension And OPEB Points To Watch In 2024

Key Takeaways

- We expect U.S. public pension funded ratios will improve in fiscal 2024 due to positive market results in the first half.
- U.S. public pensions face growing risks because discount rates used to measure the funded ratio are based on increasingly diverse and opaque asset allocations.
- Inflation affects many pension factors, and the Consumer Price Index (CPI) has crossed below long-term rates.
- Pension obligation bond (POB) issuance could make a comeback, although not until rates fall further.
- An aging population exacerbates contribution risk stemming from market volatility.

[Continue reading.](#)

29 Jan, 2024

The War on 'Woke Capital' Is Backfiring.

Republicans want to outlaw state investment in funds they see as tainted by progressive ideology. They'll probably just get lower returns.

One of the stranger political crusades of the past few years has been the Republican war on so-called woke capital, which has led GOP politicians across the country to adopt a kind of anti-corporate, pro-regulatory rhetoric that one normally associates with the left wing of the Democratic Party. And among the GOP's favorite targets in this war has been ESG investing—investment funds that take “environmental, social, and governance” considerations into account.

For Republicans, ESG funds are a Trojan horse, designed to smuggle progressive attitudes toward climate change, and diversity and inclusion, into executive suites and corporate boardrooms, all under the guise of supposedly improving investment returns. And so, in red states, state treasurers have pulled public money out of firms that are associated with ESG, including even some of the world's biggest investment firms, such as BlackRock and State Street.

On top of that, Republican legislatures in at least 20 states have adopted anti-ESG rules of one sort or another. Last year, after the Biden administration revised a Trump-era rule to make clear that pension-fund managers *could* use ESG if it did not hurt investment returns, Republicans in the House and Senate (along with two Senate Democrats) passed a resolution seeking to repeal the rule. And a coalition of Republican state attorneys general filed suit in federal court to have the rule overturned. (Biden vetoed the congressional resolution, and a district court tossed out the lawsuit, so the rule remains in effect.)

[Continue reading.](#)

The Atlantic

By James Surowiecki

JANUARY 31, 2024

[State Fiscal Debates to Watch in 2024: ESG Investing](#)

States differ on the benefits, risks of environmental, social, and governance investment strategies

[Environmental, social, and governance \(ESG\) investment strategies](#) continue to gain popularity among investors and financial institutions, but with their rising prominence has come a growing divide in state attitudes about the ESG approach. ESG approaches consider the impacts that various investments have on people and the planet. They also can illuminate material risks and opportunities—such as a company’s record on employee relations or compliance with environmental regulations—that should be considered as part of any financial decision-making.

In recent years, four states—[Colorado](#), [Illinois](#), [Maine](#), and [Maryland](#)—enacted legislation encouraging public pension funds to include ESG factors in investment decisions, while in 2023 alone, [14 states adopted laws discouraging ESG](#) considerations or banning ties to financial companies that do so. Most of this state legislation has focused on public pension investments, although [some bills have encompassed other aspects](#) of government finance, including banking, contracts, and borrowing.

Moreover, several states that have proposed but not passed ESG-related legislation—such as [Arizona](#) and [Missouri](#)—have introduced bills again in 2024. And lawmakers in California are still considering legislation that would [require the state’s pension systems to divest from fossil fuels](#) by July 2031.

[Continue reading.](#)

The Pew Charitable Trusts

By: Liz Farmer

January 31, 2024

Fitch: Summa Health Acquisition an 'Unusual' Litmus Test for U.S. NFP Hospitals.

Fitch Ratings-Austin-31 January 2024: Summa Health's announcement that it will be acquired by General Catalyst's Health Assurance Transformation Corporation (HATCo) and converted into a for-profit organization adds an unusual wrinkle to what Fitch Ratings has already deemed another make or break year in 2024 for U.S. not-for-profit (NFP) hospitals.

The acquisition by HATCo is expected to be completed by the end of the year, once due diligence and a definitive agreement are finalized over the next several months. How it ultimately fares for Summa and how it potentially shapes the NFP hospital sector remain to be seen.

Day to day operations should not look much different for Summa, which remains the market leader in its Northeast Ohio service area. Though leverage is elevated, Summa's balance sheet remains adequate to cushion against operating margins that are expected to be breakeven or better in FY24, which led Fitch to affirm its ratings and Stable Rating Outlook for Summa Health last June.

Summa, like many of its peers, is struggling with containing higher labor expenses and the need to use expensive agency nurses and other personnel to maintain staffing levels in support of rebounding patient volumes post-pandemic. The HATCo acquisition should not alter the staffing picture dramatically for Summa.

Summa's planned conversion into a for-profit organization sheds more light on the longer-term transformation taking place within health care, (i.e., operating as efficiently as possible while improving patient access and patient care, and making more and better use of technology). Some of these things are being done as vendor/customer relationships and some through alignment/partnerships. This is a move that is likely to draw some regulatory scrutiny. That said, private equity purchasing NFP hospitals could proliferate over time, if Summa/HATCo proves to be successful.

Fitch will closely monitor the planned Summa/HATCo merger and share its perspective with the market as developments evolve.

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Fitch: Operating Margins Reset a Potential 'Pain Point' for U.S. NFP Hospitals

Fitch Ratings-Chicago/Austin-29 January 2024: The long-time ideal range for healthy operating margins is in danger of a permanent reset for U.S. NFP hospitals, according to Fitch Ratings in a new 2024 outlook report.

A question that has become top-of-mind among investors of late is whether operating margins resetting in the 1%-2% range (instead of 3%+) will lead to widespread downgrades. According to sector head Kevin Holloran, "Hospital downgrades en masse would be unlikely because many systems have built up robust balance sheets and learned to economize on capital spending to a certain degree."

Fitch does not view this scenario as a "sector-ending incident", but rather a "pain point" that each provider must balance against their respective liquidity cushions. That said, hospital-specific declines are a real possibility if they can't afford to defer capital longer and operations never improve. Of particular concern is the year 2030, according to Holloran. "The final 'Baby Boomer' generation will reach age 65, which will potentially pose the scenario of a smaller workforce serving a larger population in need of heightened care," said Holloran.

Another lingering question that still generates much attention revolves around days' cash on hand (DCOH), specifically whether 200 days-250 days may be too high given the sector's lofty struggles. With DCOH coming in at above 200 days nine of the last 10 years and the overall median being 216 days based on 2022 financials, the answer appears to be "no". However, DCOH will improve very little despite better profitability and inherent gains on investments.

Fitch's report, "What Investors Want to Know: Not-for-Profit Hospital and Health System 2024 Outlook", is available at www.fitchratings.com.

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S&P U.S. Municipal Water And Sewer Utilities Rating Actions, Fourth-Quarter 2023

Overview

S&P Global Ratings took 26 rating actions, made eight outlook revisions, and made one CreditWatch placement in the U.S. municipal water and sewer utilities sector in the fourth quarter of 2023. We affirmed 44 ratings with no outlook revisions and placed one rating on CreditWatch with negative implications.

Positive rating actions exceeded negative actions, with 12 upgrades compared to four downgrades in the quarter. We assigned a negative outlook to three ratings, outweighing the two outlooks revised

to positive, and also returned three outlooks to stable.

New ratings declined against third-quarter 2023 and also trended below the same period last year. Rating movement slightly increased compared to third-quarter 2023, reaching a peak for the year, but movement is generally down from the same period in 2022.

[Continue reading.](#)

31 Jan, 2024

[Game Planning 2024 Muniland Election Impacts: Masters of the Muniverse - Bloomberg Podcast](#)

With the election year well on its way, peak partisanship and geopolitical volatility may mean raised threats to Muniland. While election years in the past have returned more wins than losses for Munis, macro issues will continue to be a hurdle. To discuss these possible threats and the latest federal income tax developments, we have Bloomberg Intelligence's very own tax policy expert, Andrew Silverman, joining Bloomberg Intelligence's Eric Kazatsky and co-host Karen Altamirano.

[Listen to Podcast.](#)

Bloomberg

Jan 30, 2024

[Municipal-Bond Investors Chase Returns Ahead of Fed Rate Cuts.](#)

- **Muni funds receive \$1.5 billion in week ended Jan. 31: Lipper**
- **'Rally has probably left some people with FOMO': Belle Haven**

Investors are rushing back to the municipal-bond market after many spurned it over the past two years.

Capital poured back into muni-bond funds for the fifth-straight week with weekly inflows reaching a two-year high of \$1.5 billion, according to LSEG Lipper Global Fund Flows data through Jan. 31. After dumping more than \$120 billion over the last two years, skittish investors have been lured back to the market to get higher yields ahead of interest rate cuts from the US central bank. Parametric Portfolio Associates and Bank of America Corp. are among those forecasting positive flows for this year.

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh and Nic Querolo

February 2, 2024

Municipal-Bond Sales Surge in January as Issuers Take Advantage of Rate Stability.

- **Boom in new issuance dulled usual 'January Effect' performance**
- **More than \$30 billion in cash looks for a new home in February**

This was the busiest January for municipal bond sales in almost a decade, and analysts predict that states and localities will keep up the pace, taking advantage of lower borrowing costs and strong investor demand.

Issuers sold \$31.8 billion in municipal bonds, the largest amount since January of 2017, when they sold \$34.4 billion, according to data compiled by Bloomberg. January is usually one of the slowest months for municipal bond sales: Over the past decade, the average for the month has been \$25 billion.

The surge in sales followed a tepid December, when state and local governments sold \$22.5 billion in debt, well below \$29 billion, the average for the month over the past decade. This, along with a powerful rally in November when municipals gained 6.35% — their best single month since August 1982, according to the Bloomberg Municipal Bond Index — reversed the usual “January Effect.” This is when scarce supply and demand, fueled by cash being returned to investors in the form of maturing and called bonds, typically boosts performance. Municipals posted a loss in January of 0.51%.

[Continue reading.](#)

Bloomberg Markets

By Joseph Mysak Jr

February 1, 2024

For Muni Investors, It's Been a Dry January: Bloomberg

- **Performance sinks after November's best gains in 40 years**
- **Bond buyers look for higher yields on new year issuance surge**

For municipal-bond performance, it's been an undeniably Dry January.

So far this month, municipals posted a loss of 1.05% after closing 2023 with back-to-back months that lifted the entire year, according to data compiled by Bloomberg. Typically, munis post solid gains in January, registering a negative performance only in the Januarys of 2018 and 2022.

“I think that 2024 started last November when investors came in to snap up the much higher yields,” said Pat Luby, a municipal strategist at CreditSights Inc.

[Continue reading.](#)

Bloomberg Markets

By Joseph Mysak Jr

January 30, 2024

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[Continue reading.](#)

Bloomberg Markets

By Shruti Singh and Nic Querolo

February 2, 2024

Vanguard Launches 2 Municipal Bond ETFs.

Vanguard is launching 2 new ETFs giving investors exposure to the municipal bond market. The Vanguard Intermediate-Term Tax-Exempt Bond ETF (VTEI) and the Vanguard California Tax-Exempt Bond ETF (VTEC) launched on the CBOE BZX Exchange and are designed to offer targeted exposure to certain segments of the muni market with an emphasis on quality and yield.

Both also have low expense ratios of 0.08%, making them among the least costly within the muni fixed income category. The intermediate-focused, tax-exempt ETF is particularly timely given expectations that interest rates will decline in 2024 due to a dovish Fed and weakening economic outlook. Thus, many investors are looking to lock in yields at these levels by moving out from the short-end into the intermediate and longer-end of the curve.

In addition to quality and generous yields, municipal bonds also have tax benefits. While VTEI is designed to appeal to a wider swathe of investors, VTEC is for investors who want exposure to California municipal debt. The yield generated from this ETF is tax exempt at the federal and state level for California residents while also prioritizing credit quality.

Written by dkorth@finsum.com (FINSUM) for FINSUM ->

February 01, 2024

Experience Benefits of Municipal Bonds That Extend Beyond Yield.

As the rate-hiking cycle appears to be over, the high yields that fixed income investors have been experiencing could also be ending. That said, assets like municipal bonds can offer investors benefits that extend beyond yield.

According to a recent Barron's article, investment strategists in particular "like the safety of the asset class and are finding different ways to squeeze a bit more juice from the lemon." They also lauded munis for the tax benefits that they offer, noting they "look even better for individuals in a top bracket in a high-tax state, where that 3.5% is the equivalent of a 6% taxable yield."

Additionally, the macroeconomic environment is conducive to munis as the Fed tries to ensure that it hikes rates enough to keep pace with inflation and subsequently cut when economic growth starts to dissipate, but not to the point where it causes a recession. Additionally, rate cuts may have already been priced into stocks, making them potentially overvalued relative to other assets like municipal bonds. A confluence of those factors makes the muni yield even that more attractive.

[Continue reading.](#)

Written by editorial@vettafi.com (ETF Trends) for ETF Trends ->

February 01, 2024

The Increasing Importance of Cybersecurity Readiness in the Municipal Bond Market: How Public Institutions Can Respond

In today's evolving world of security and data privacy, K-12 schools, universities, local governments, and hospitals are increasingly finding themselves on the same list: vulnerable to the threat of a cyberattack.

Bad actors look at these institutions as a treasure trove of data, from structured information taking a standard form like names and addresses to unstructured information like how a student is behaving in class or how a patient is coping with a diagnosis. And with the COVID-19 pandemic forcing these same institutions to use more and varied technology, the door to increased cyberattacks has crept more and more open.

The bond market has taken note, increasingly including disclosures about the impacts of cybersecurity incidents and compliance in public offering documents.

[Continue reading.](#)

January 24, 2024

Parker Poe Adams & Bernstein LLP

[Overview Of Methodology For Rating U.S. Governments Request For Comment: S&P Slides](#)

On Jan. 11, 2024, S&P Global Ratings published a request for comment on its proposed Methodology For Rating U.S. Governments. The proposal would consolidate criteria to analyze credit risks of U.S. governments using one comprehensive scored framework. We believe bringing government entities under the same analytic framework increases transparency of our methodology, improves consistency and alignment of ratings across these government types, and enhances global comparability.

[Download](#)

[Travel Rebound That Rewarded Airport Bondholders to Lift Sales.](#)

- **Airport bond issuance seen rising to \$21 billion this year**
- **‘Sector’s days of playing defense are effectively over’: Fitch**

Travelers returned to US airports in droves last year, contributing to a pick-up in plans to renovate and build new facilities.

The rebound in passenger traffic to levels not seen since before the pandemic has airports moving ahead with capital improvement projects and turning to the municipal bond market for funds. It also has delivered substantial returns to airport bondholders.

“Though there are still some future challenges to navigate, the sector’s days of playing defense are effectively over,” said Seth Lehman, a senior director at Fitch Ratings Inc. Airports are “now focusing more squarely on increased capital spending to meet current and future demand, both of which are trending much more positively.”

[Continue reading.](#)

Bloomberg Markets

By Nic Querolo and Shruti Singh

January 25, 2024

[S&P U.S. Higher Education Rating Actions, 2023](#)

[View the S&P Rating Actions.](#)

23 Jan, 2024

[S&P U.S. Public Finance Housing Outlook 2024: A Stable Foundation Despite](#)

[Emerging Risks And Slower Economic Growth](#)

Sector View: Stable

Most affordable housing owners, operators, and lenders are well positioned to absorb emerging risks and slower economic growth. The most vulnerable affordable housing transactions in our rated universe are those secured by properties with no enhancement or federal support that may not cover higher operating costs that we expect to persist in the near term. Beyond 2024, the results of the fall election could reduce federal funding and affordable housing legislation initiatives, though housing has generally received broad bipartisan support through various political cycles.

[Continue reading.](#)

24 Jan, 2024

[S&P U.S. Public Power And Electric Cooperative Utilities 2024 Outlook: Mandates, Rising Costs, And Diminishing Affordability](#)

Sector View: Negative

The financial performance of, and ratings on, U.S. public power and electric cooperative utilities could weaken in 2024, owing 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. Exacerbating inflation-related affordability pressures are legislative and regulatory mandates that S&P Global Ratings expects will trigger substantial utility spending on clean generation resources and generation additions needed to support load growth from electrification directives. However, utilities could maintain credit quality if they're able to recover costs in a timely manner and at levels sufficient to preserve sound financial margins—commensurate with our existing ratings.

[Continue reading.](#)

23 Jan, 2024

[S&P U.S. Public Finance Housing Rating Actions, Fourth-Quarter 2023](#)

[View the S&P Rating Actions.](#)

22 Jan, 2024

[Fitch: U.S. Airports Come Full Circle](#)

Fitch Ratings-New York-23 January 2024: The long, arduous return to pre-pandemic normal appears complete for U.S. airports, according to Fitch Ratings in its latest peer review for the sector.

Since its last peer review, Fitch upgraded seven airports and revised the Outlook to Positive from Stable for 13 airport sector ratings. "Airports' enplanement recoveries and effective budgetary management have led to sustained strengthened financial metrics that are no longer dependent on prior receipt of federal grant awards," said Senior Director Seth Lehman.

Among the notable rating upgrades include Chicago O'Hare, New York's JFK, Houston, Las Vegas and Miami. This represents a stark contrast to the height of the pandemic when airports were forced to lean heavily on federal relief funds while reducing operating costs. Further signs of the sector's turnaround are in fiscal 2022 performance, which for most airports to be much less impacted by the pandemic environment.

"Though there are still some future challenges to navigate, the sector's days of playing defense are effectively over with airports now focusing more squarely on increased capital spending to meet current and future demand, both of which are trending much more positively," said Lehman.

Fitch's latest "Peer Review of U.S. Airports" is available at 'www.fitchratings.com'

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[Congress Can Improve School Finance Transparency.](#)

As state legislative sessions open across the country, lawmakers are considering bills giving parents greater control over their children's share of public school spending, following historic progress last year. But teachers unions and other opponents of education choice programs will likely leverage public misunderstanding about public school finances to oppose giving parents options beyond their children's assigned public school. Correcting that misunderstanding should be a priority for school choice advocates in the new year.

Recent polling by EdChoice makes clear the extent of public misunderstanding and the importance of showing parents how public schools are financed. Summarizing the poll results, EdChoice researcher Colyn Ritter writes, "More than half of Americans say public school funding is too low — until they are shown how much schools actually spent." Americans estimate that public schools spend about \$5,000 per student, but actual national average per-pupil expenditure is nearly three times as much: roughly \$14,000.

[Continue reading.](#)

THE HILL

01/24/24

[How to Squeeze More Yield From Muni Bonds.](#)

Considering investing in municipal bonds for tax-free income? Let's start with the bad news: The main muni index, tracked by the iShares National Muni Bond exchange-traded fund, yields just 3.1% right now, or 4.3% on an after-tax basis for those in the 28% federal tax bracket. Compare that to a 5% yield in a money-market fund.

Not that enticing, right? That's what *Barron's* concluded in its [review](#) of the best income investments for 2024.

Still, plenty of investment strategists like the safety of the asset class and are finding different ways to squeeze a bit more juice from the lemon. Munis look even better for individuals in a top bracket in a high-tax state, where that 3.5% is the equivalent of a 6% taxable yield.

Continue reading.

Barron's

By Amey Stone

Jan 25, 2024,

[Active Management Will Drive Muni Returns in 2024](#)

BlackRock's muni bond experts share their market outlook

After initial optimism at the start of 2023 spurred strong performance, munis subsequently struggled as the Fed continued its tightening policy, raising fed fund rates to 5.25%–5.50%, before pausing in September. The 10-year U.S. Treasury yield sold off, peaking at 5% in mid-October, and the Bloomberg Muni Bond Index was down by 2.30% on a year-to-date basis by late October.

However, falling inflation, weakening economic growth, and the prolonged Fed pause led to more dovish expectations for monetary policy — causing a strong interest rate rally into year-end (i.e., rates decline and prices increase). As a result, munis rallied sharply, with the Bloomberg Muni Bond Index posting a total return of 8.67% in November and December, bringing the full-year total return to 6.40%. Favorable technicals, backed by strong fundamentals, were key drivers of muni outperformance and pushed relative valuations to extremely rich levels by year-end.

[Continue reading.](#)

advisorperspectives.com

by Peter Hayes, Sean Carney of BlackRock, 1/24/24

A Muni Giant Exits the Field. What It Means for the \$4 Trillion Market.

State and local governments have long relied on muni market heavyweight

When bankrupt Jefferson County, Ala., needed to find buyers for a new bond sale, Citigroup was there. When Detroit tiptoed back to market after haircutting bondholders, Citi C 2.56% increase; green up pointing triangle was there. When the board overseeing Puerto Rico's debt restructuring wanted advice, Citi was there.

Now municipalities will need to look elsewhere in good times and bad. Citi is exiting the \$4 trillion market early this year after a quarter-century as a top trader of U.S. state and local government debt.

Citi is amid an overhaul, and munis are one of the businesses on the chopping block. Other changes include eliminating 20,000 jobs, curtailing overseas consumer business and exiting the market for distressed debt. The bank is trying to put its money to work in places where it has an edge and can get the best returns, said Howard Mason, an analyst with Renaissance Macro Research. "It wasn't as if they were picking on the muni market."

[Continue reading.](#)

The Wall Street Journal

By Heather Gillers

Jan. 21, 2024

A Senate Committee Is Pondering Climate Risks to Towns' Credit.

Muni bond investors have so far been able to downplay climate change risks to state and local government creditworthiness, a bond research firm president told a Senate committee at a hearing Wednesday.

Tom Doe, president of Municipal Market Analytics, said at a [hearing](#) of the Senate Committee on the Budget—titled "Safeguarding Municipal Bonds from Climate Risk"—that the possibility of damage resulting from climate change has had little impact on state and local government bond prices.

That's for two reasons, Doe said: Disaster aid from the federal emergency management agency has helped communities rebuild; and ratings firms judging those communities' creditworthiness only look into the near future.

The committee also heard from a data scientist who helped develop a program recently acquired by Intercontinental Exchange Inc. for predicting the likelihood of natural disasters hitting specific towns, and a Columbus, Ohio, finance official who recommended creating a federal office to help municipal governments prepare for climate change.

Not everyone seemed convinced of a need for action. Sen. Chuck Grassley, an Iowa Republican, said at the hearing that he was more concerned about municipalities' reliance on federal funding. Matthew Kahn, a professor of economics and spatial sciences at the University of Southern

California, testified that pension obligations and suburban flight are bigger risks to municipal credit.

The Wall Street Journal

By Heather Gillers

Hospitals Are Back to the Muni Market With Labor Costs Easing.

- **Borrowing this month far outpaces all of last January**
- **Pent-up need for upgrades drives issuance as finances improve**

Hospitals are returning to the municipal-bond market as they aim to pivot from survival to revival.

So far this year, hospitals are tapping the market with more than \$1.7 billion to expand and upgrade facilities, according to data compiled by Bloomberg as of Jan. 12. That figure outpaces \$390.7 million of issuance by hospitals last January.

It's cheaper to tap the muni market at the moment, with the yield on the 10-year AAA benchmark down 127 basis points since Nov. 1. Financial pressures on hospitals have also started to ease. Staffing costs — by far their heftiest expense — have steadied and operating margins have been improving.

[Continue reading.](#)

Bloomberg Markets

By Lauren Coleman-Lochner

January 12, 2024

Fitch: Clear Path to Sustained Growth for U.S. Toll Roads

Fitch Ratings-New York-17 January 2024: U.S. toll roads are on a positive trajectory according to Fitch Ratings in its latest peer review for the sector.

Since its previous peer review, Fitch took nine positive rating actions on its rated U.S. toll roads and revised the Rating Outlook on three systems to Stable from Negative and two to Positive from Stable. Additionally, there were no negative rating actions. An overarching theme for the sector across the board has been strong and sustainable traffic.

Toll increases have boosted revenue growth for systems with slower traffic recovery like San Francisco's Bay Area Toll Authority and the Peace Bridge in Buffalo, according to Fitch Director Anne Tricerri. Fitch revised BATA's Outlook on the subordinate lien to Stable from Negative. 'Although BATA's traffic recovery has been disappointing in comparison with the toll road sector overall, revenues are up significantly over the past three years due to rate hikes as authorized by voters under regional measure three,' said Tricerri. Fitch revised Peace Bridge's Rating Outlook to Positive from Stable due to a sizable increase in toll rates. 'Peace Bridge's willingness and ability to increase toll rates over the past two years propelled toll revenue above pre-pandemic levels despite

traffic not being fully recovered.'

Fitch has also released an update to the interactive peer study for U.S. toll roads, available in the 'U.S. Toll Roads - 2024 Fitch Analytical Comparative Tool (FACT).' Fitch's 'U.S. Toll Roads Peer Review' is available at 'www.fitchratings.com'.

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Additional information is available on www.fitchratings.com

[S&P U.S. Charter Schools Rating Actions, Fourth-Quarter 2023](#)

[View the S&P Rating Actions.](#)

12 Jan, 2024

[S&P U.S. Higher Education Rating Actions, Fourth-Quarter 2023](#)

[View the S&P Rating Actions.](#)

16 Jan, 2024

[S&P U.S. Charter Schools 2024 Outlook: Credit Stability, For Now](#)

Sector view: Stable

U.S. charter schools' credit fundamentals are stable for now, supported by continued healthy demand, generally favorable per-pupil funding, and some cushion provided by still-available federal emergency relief funds. During 2024, we expect schools will focus on managing increased expense

pressures and teacher shortages amid dwindling federal emergency support and slower economic growth.

[Continue reading.](#)

17 Jan, 2024

The Financial Pain for Cities from Struggling Downtowns.

Nearly four years after the start of the pandemic, downtowns are still short of office workers and foot traffic. That's contributing to significant budget problems in some cities.

In Brief:

- Downtowns across the country continue to be emptier than before the pandemic. The loss of activity is hurting cities' finances.
- Transit agencies are particularly hard hit.
- Cities are looking for ideas for revitalizing downtowns, but no easy solution will work everywhere

[Continue reading.](#)

governing.com

by Zina Hutton

Jan. 19, 2024

The Future of Municipal Bonds Is Seldom This Bright — But the Window Is Shrinking.

Muni yields will remain attractive, until the Fed turns dovish.

Higher bond yields and expectations that the Federal Reserve will maintain or cut its benchmark interest rate this year have created a window of opportunity for institutional investors in the municipal bond market.

Muni yields reached 4.72 percent in October — the highest they had been in more than a decade — and have since fallen to 3.91 percent. Still, munis, for now, have relatively attractive yields.

"There needs to be a little sense of urgency with regards to this. Since the end of the third quarter and the beginning of the fourth quarter last year, we have been talking to clients about that sense of urgency. It's not a market timing call necessarily, and people can confuse that," Robert DiMella, executive managing director at MacKay Shields, said.

[Continue reading.](#)

Institutional Investor

by Michael Thrasher

January 19, 2024

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