Bond Case Briefs

Municipal Finance Law Since 1971

Voters Weigh $27 Billion of Bonds on Ballots Across U.S.

The amount of borrowing seeking voter approval is the lowest since 2017, according to IHS Markit data.

Voters across the U.S. are set to decide on an estimated $27 billion worth of bond measures during Tuesday's elections to finance municipal improvements ranging from school repairs to road fixes.

The amount is about half of what voters faced during last year's presidential election, even though some local governments scrapped borrowing plans at that time amid pandemic uncertainty. This year's total is the lowest since 2017, and slightly below average over the last decade, according to preliminary data from IHS Markit.

"There are probably more ballot measures in years where the economy is not only growing, but when there is also a positive landscape for passage," said Tom Kozlik, head of municipal research and analytics at Hilltop Securities Inc.

State and local government payrolls still haven't recovered to pre-pandemic levels despite an influx of federal stimulus money. That cautious fiscal approach may be contributing to deflated borrowing on ballots this year, much like the aftermath of the Great Recession, when planners were reluctant to add debt to balance sheets amid layoffs intended to balance budgets, Kozlik said.

Measures that pass will pump bonds into the $4 trillion municipal market that's recently been plagued by scarcity. Governments have sold about $386 billion of debt year-to-date in about 8,500 deals, a roughly 4.3% drop from the same period last year, according to data compiled by Bloomberg.

The biggest measure up for a vote this year is a $1.2 billion bond to fund construction and renovation of schools in Fort Worth Independent School District in Texas, the sixth-biggest in the state. The measure is part of a package of bond proposals totaling $1.49 billion. Other portions would be used for projects like stadium construction and auditorium upgrades.

Among the 10 largest bond measures, about half are for funding school improvements. Texas is proposing the most bonds, with about $18.6 billion of debt up for a vote, followed by Virginia and Colorado, according to IHS Markit's preliminary tally.

Virginia's largest issue up for referendum is a $567.5 million flood protection bond in Virginia Beach that would use proceeds to fund mitigation measures like barriers, drainage improvements and pump stations. If passed, residents would see real estate taxes increase between 4.3 cents and 6.4 cents per $100 of a home's assessed value. For the median home owner, that would mean paying an additional $115 to $171 annually, according to the the city's website.

In Texas, voters will decide on more than $8 billion of bonds for utility and hospital districts. Some of those measures, if approved, would grant districts the authority to issue bonds up to a given amount, but wouldn't obligate them to do so.

Bloomberg CityLab

By Nic Querolo

November 1, 2021, 11:01 AM PDT

— *With assistance by Danielle Moran*