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Joint \$4M Endeavor Seeks to Create Racial Equity in Municipal Bond Market.

From its inception, America's history is one that's rooted in racial prejudice and inequality. Cities have, historically, expanded and evolved within the confines of that segregated system through prejudicial laws and discriminatory practices like redlining.

A new endeavor launched this month by the Public Finance Initiative (PFI) and the National League of Cities (NLC), the Bond Markets and Racial Equity Project, seeks to create a more equitable society through the way municipal bonds are issued. The project is funded by a \$4 million grant from the Robert Wood Johnson Foundation.

The project team will develop a range of tools for cities, public authorities and their financial advisors to elevate racial equity considerations in bond issuances, according to a press notice about the initiative.

"We have an opportunity to disrupt long-held patterns of inequality and segregation and to elevate racial equity in new arenas via a program of work that will begin by listening to issuers, investors and other market stakeholders in national focus groups that we will convene across America," said Lourdes Germán, PFI's executive director in a statement. "This project centers seeks to take what we learn and develop a program to help issuers center racial equity as a key consideration within the municipal bond market, enabling communities and investors to better understand how to effectively leverage the issuance process—and, with this funding, we will develop the metrics, measurement and reporting to make that possible."

The statement notes that policymakers have long wondered how the \$3.8 trillion municipal bond market addresses—or fails to address—race and equity. The municipal bond market is one of the largest pools of private investor capital flowing into America's states and localities, and it thus shapes the character of the built environment in communities and directly impacts the social determinants of health and equity in a place.

Regulators, elected officials and other public leaders have called attention to the challenges at hand. For example, the recent \$1.2 billion federal Infrastructure Investment and Jobs Act explicitly highlights the importance of centering equity across various functional areas of infrastructure investment and of acknowledging the legacy of systemic racism throughout the history of American infrastructure, construction and maintenance decisions.

Despite efforts to scale up such bonds and create guidance for issuers, however, no common framework currently exists to address racial equity in all phases of municipal bond issues. Additionally, bond issuers lack the training and resources to evaluate equity impacts associated with the infrastructure projects they fund, and they lack long-term data to measure how equity changes in a jurisdiction over time, particularly in low-resource settings with the highest needs.

In the effort to foster more equitable cities, "The Bond Markets and Racial Equity Project is a first-of-its-kind investigation into how public officials can center equity in bond issues in targeted ways

that lead to improved social determinants in their communities,” said Clarence Anthony, CEO and executive director at NLC.”

Throughout this year, the organizations will convene city and public authority leaders through focus groups, online publications, research reports and more to explore how issuers center racial equity—or fail to do so—in the context of bond issuances or infrastructure projects. Future project outcomes will include a racial equity framework, data tools, research, technical assistance for low-resource jurisdictions, additional guidance on evaluation practices and other data-driven and impact-focused interventions, the statement says.

Initial lead project partners include the Excellence in Public Finance Program at the Milken Institute, the Urban Institute, the Government Alliance on Race and Equity (GARE) at Race Forward and Urban American City LLC. The Initiative for Responsible Investment at the Harvard Kennedy School’s Center for Public Leadership will also serve as a sub-grantee.

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