
U.S. Public Finance Rating Momentum: Fitch Special Report

Fitch Ratings' study on U.S. Public Finance (USPF) credit ratings reveals significant momentum in rating changes, particularly negative momentum. Downgrades are more likely to follow a previous downgrade, with a rate 6.2 times higher than after an affirmation or no-action review. Speculative-grade ratings show the highest negative momentum, with a downgrade rate nearly 10 times higher post-downgrade. Positive momentum exists but is weaker, with upgrades following upgrades at a rate of 143% of the overall portfolio. Negative Outlooks remain strong indicators of future downgrades, with a downgrade rate of 13 times higher than Stable Outlooks. The study underscores the predictive value of prior rating actions and Outlooks in signaling future credit quality changes.

Access Report

Mon 14 Apr, 2025

Fitch: Market Volatility and Tariffs Could Challenge US NFP Hospital Liquidity

Fitch Ratings-Austin/Chicago/New York-14 April 2025: Market volatility presents a growing challenge to U.S. not-for-profit (NFP) hospitals' balance sheet stability, Fitch Ratings says. Maintaining balance sheet strength is crucial for addressing ongoing macroeconomic uncertainties, including tariffs and potential Medicaid changes that could affect enrollment or reimbursement.

The sector's strong liquidity and resilience in managing financial headwinds from tight labor conditions and inflationary pressures on costs are due in part to ample investment income over the past four years. Hospitals with robust financial reserves and liquidity are best positioned to withstand today's challenging operating environment characterized by labor and supply cost inflation. This enhances their ability to weather financial storms while maintaining creditworthiness.

Hospitals benefited from strong stock market performance from 2020 to 2024, with the S&P 500's annual return averaging over 14%. The Federal Reserve's aggressive interest rate hikes over the past two years have also supported investment earnings for lower-rated hospitals and hospitals with more conservative asset allocations, as shorter-term, lower-risk fixed income assets have yielded more favorable returns.

Continue reading.

S&P U.S. Not-For-Profit Health Care Outstanding Ratings And Outlooks As Of March 31, 2025.

View the S&P Ratings and Outlooks.

11 Apr, 2025

S&P U.S. Not-For-Profit Health Care Rating Actions, March And First-Quarter 2025.

In March 2025, S&P Global Ratings maintained 22 ratings, took four negative rating actions, and did not upgrade any U.S. not-for-profit health care providers. In addition, we revised two outlooks unfavorably and one outlook favorably.

Included in the month's activity were ratings assigned to seven new debt issuances for currently rated organizations (all affirmed but one outlook revised to stable from negative). We also assigned a rating to a new issuer, CharterCARE Health of Rhode Island.

The seven rating actions and outlook revision consisted of the following:

- Four downgrades on three stand-alone hospitals and one system in the 'A' and 'BBB' rating categories;
- Two outlook revisions to negative from stable on one health system in the 'AA' category and one stand-alone hospital in the 'A' category; and
- One outlook revision to stable from negative on a stand-alone hospital in the 'BBB' category.

Continue reading.

11 Apr, 2025

States, Cities Delay Bond Sales After Muni Yields Skyrocket.

A number of state and local government debt deals were postponed on Tuesday, as the asset class recorded a second painful trading session.

Louisiana delayed the sale of $351 million of muni bonds set to be sold via auction on Wednesday, according to a spokesperson for the treasurer's office. And a senior living center in Massachusetts shelved a $133 million sale as did school districts in California and Florida.

Benchmark bond yields jumped as much as 25 basis points on Tuesday, following a surge on Monday. Ten-year, top-rated bonds are yielding 3.5%, nearly 60 basis points higher than where they ended last week, according to data compiled by Bloomberg.

Continue reading.

Bloomberg Markets

By Erin Hudson, Martin Z Braun, and Amanda Albright

April 8, 2025

[Tariffs Risk Raising Building Costs and Muni Buyers' Demands.]

Tariffs are going to complicate state and local governments' construction plans, and investors will be looking for more compensation to account for the uncertainty, according to Tamara Lowin of Van Eck Associates Corp.

President Donald Trump's fast-changing trade policies risk upending supply chains, making projects more costly and more time-consuming, and potentially putting the viability of some municipalities' plans into question. Elevated costs — and, therefore, slimmer margins — increase risk, meaning that investors could demand higher yields, said Lowin, a senior credit analyst at Van Eck.

Projects meant to replace aging infrastructure or expand existing facilities could be particularly challenged, according to a note written by Lowin.

Continue reading.

Bloomberg Markets

By Erin Hudson and Aashna Shah

April 14, 2025

How the Muni Market Is Impacted by the Trade War: Bloomberg TV

Municipal-bond traders had their busiest day on record on Wednesday as yields surged and investors tried to make sense of an abrupt change in US trade policy. Franklin Templeton Director of Research for Municipal Bonds Jennifer Johnston gives her outlook on "Bloomberg Markets."

Watch video.

Bloomberg Markets TV Shows – Muni Moment

April 10th, 2025

Five Important Takeaways on Municipal Bonds and Market Volatility.

Some key points for municipal bond investors to consider in an uncertain environment.

Municipal bond investors have asked us about the market impact of the April 2 tariff announcements, a development that has broadly affected all asset classes. The upward move in rates across all markets is a result of the tariffs, which could lead to changes in monetary policy, stimulus of the U.S. economy through tax cuts, and potential inflationary impacts.

Here, we offer some insights on what municipal bond investors should focus on during this volatile period:

[Continue reading.]

lordabbett.com

By Daniel S. Solender – Partner, Director of Tax Free Fixed Income

April 9, 2025

[Muni Rout Drags On After Market Sees Worst Day in 31 Years.]

Municipal bonds extended their slump on Tuesday, following the market's worst daily slide in three decades, as a wave of tariff-induced selling pressure continued.

A benchmark index of municipal bonds dropped 2.85% on Monday, the biggest daily decline since at least 1994, according to data compiled by Bloomberg. The historic rout caused several deals to be postponed and wiped out total gains for this year. The pain continued on Tuesday with yields increasing as much as 10 basis points as of 11:00 a.m. New York time.

"The whole market moved from being buyers to being sellers in a very short period of time with nobody willing to take the other side of the trade," said Christopher Brigati, chief investment officer at SWBC.

[Continue reading.]

Bloomberg Markets

By Aashna Shah, Shruti Singh, and Amanda Albright

April 8, 2025

[WSJ: Even Muni Investors Are Jittery]

Prices for state and local bonds sank rapidly Monday and Tuesday after jittery investors unloaded the muni debt they had racked up last week when tariffs rocked markets.

"It's kind of incredible, we haven't seen anything like this since the pandemic," said Patrick Smith, senior director of municipal evaluations at ICE Data Services.

Triple-A rated Maryland state bonds traded at 106 cents on the dollar Tuesday, down from 110 cents Thursday, an unusually fast drop in the typically placid $4 trillion market.

[Continue reading.]

The Wall Street Journal

by Heather Gillers

Week-End Swings Tell Muni Traders the Volatility Isn't Over Yet.

The muni market is getting a tough wake-up call: The volatility may not be over just yet.

Benchmark yields rose as much as 29 basis points on Friday afternoon in New York. Muni bonds are belatedly joining other asset classes in selling off yet again despite President Donald Trump on Wednesday calling off many of his most punitive tariffs.

This week, the state and local debt market has seen wild swings. After a massive selloff, the muni market on Thursday saw its best day of performance since the spring 2020 pandemic-induced market volatility.

Continue reading.

Bloomberg Markets

By Amanda Albright

April 11, 2025

John Miller Sees 2025 Muni Supply Eclipsing Record After Shakeup.

Veteran municipal bond investor John Miller is calling for another banner year for new borrowings from state and local governments, even after the global trade war that's rocking stocks and bonds ripped through the usually placid muni market.

The head of high-yield muni funds at First Eagle Investment Management forecasts long-term municipal sales will reach as high as $550 billion this year, topping 2024's record. His estimates come after issuers hit pause on dozens of deals earlier this week as a tariff-fueled markets rout spilled over into municipal bonds.

Transactions were delayed while benchmark yields for securities maturing in 10 years surged roughly 85 basis points in three days, reaching the highest in more than a decade. Such a steep move, so quickly is rare for state and local debt which is usually more insulated against the wide swings seen in other asset classes.

Continue reading.

Bloomberg Markets

By Shruti Singh

April 11, 2025

Munis Stage Biggest Rally Since 2020 After Tariff U-Turn.

State and local government bonds jumped Thursday in a rebound rally, which followed three straight days of plummeting prices.

Benchmark yields on top-rated municipal debt declined as much as 49 basis points on Thursday. Ten-year benchmark bonds are yielding 3.32%, nearly 48 basis points lower than where they ended Wednesday, according to data compiled by Bloomberg. That would mark the biggest one-day rally since March 2020.

Continue reading.

Bloomberg Markets

By Aashna Shah

April 10, 2025

Muni Bond Rout Deepens Even More as Investors Panic Sell.

Municipal-bond yields surged another 30 basis points Wednesday as the state and local debt market sees a continued steep selloff.

The rout drove the 10-year AAA benchmark to 3.8% as of midday, the highest since at least 2011, according to Bloomberg BVAL. Over the last three trading sessions, that rate has jumped about 87 basis points.

Patrick Haskell, head of municipal bonds at BlackRock Inc., in an interview with Bloomberg Radio said the US state and local debt market hit “panic levels” Monday and Tuesday. Investors were “searching for liquidity,” he said.

Continue reading.

Bloomberg Markets

By Amanda Albright

April 9, 2025

MSRB First Quarter 2025 Municipal Securities Market Summary.

View the MSRB Summary.

S&P U.S. Brief: Energy As A Service Is Off-Balance-Sheet, But On-Credit For Not-For-Profit Health Care Providers

While not-for-profit health care providers are increasingly embracing Energy as a Service (EaaS) to protect their balance sheets, we believe the arrangements could carry credit

risks.

U.S. not-for-profit health care providers are more frequently entering into energy asset concession or lease arrangements as a means of catching up on deferred infrastructure spending while preserving balance-sheet flexibility. These arrangements can include benefits beyond those of direct capital investment, but a primary consideration for management, in our view, is keeping associated debt off their balance sheets. While this trend is perhaps in the early stages of growth across the sector, S&P Global Ratings has maintained a consistent analytical approach to off-balance-sheet obligations when assessing credit risk. In our view, the provider's unconditional pledge to make annual payments, as well as the corresponding liability, are factors capable of diminishing credit quality. Put simply, we view these arrangements as debt substitutes.

What's Happening

Although balance sheets remain a principal strength of the sector, pressure has built in recent years as a result of compressed operating cash flow and ongoing capital needs. This, coupled with a tendency on the part of management to prioritize revenue-generating projects over core infrastructure, has left many providers operating with dated, or perhaps unreliable, energy infrastructure on their hospital campuses. As a result, more providers are expressing an openness to asset monetization and nontraditional financing arrangements.

Continue reading.

[Free Registration Required]

31 Mar, 2025

Fitch Ratings Updates Public-Sector Counterparty Obligations in PPP Transactions Rating Criteria

Fitch Ratings-New York/Sao Paulo/Monterrey/Madrid-07 April 2025: Fitch Ratings has updated its criteria for rating public sector counterparty obligations in public private partnership (PPP) transactions. This update replaces the previous report from May 2024.

The criteria report outlines Fitch's methodology for assigning new ratings and monitoring existing ratings for obligations of public-sector grantors under a concession, lease or other agreement (referred to herein as a framework agreement) used to support PPP financing for public infrastructure assets.

The update replaces the term "legislative framework" with "legal framework". "Legislative" only refers to the ability to make laws, while "legal" is broader and refers to all aspects related to laws. Therefore, "legal framework" better conveys the intended meaning: the framework created by relevant laws.

Furthermore, there was a small number of other minor editorial changes.

The key criteria elements remain consistent with those of the prior report. The update does not effect outstanding ratings. The previous version of the criteria has been retired.

The updated criteria report "Public-Sector Counterparty Obligations in PPP Transactions Rating

Criteria ” is available at www.fitchratings.com.

[S&P: Cryptocurrency Is Growing Within U.S. State Reserves And Statewide Pension Plans]

Key Takeaways

- U.S. states and statewide pension plans are increasingly considering cryptocurrencies (crypto), particularly bitcoin, as a reserve investment.
- So far, 17 states either allow or have introduced legislation to allow crypto as a reserve asset and 16 are proceeding toward including crypto investments in their statewide pension trusts.
- The recent creation of crypto exchange-traded funds (ETFs) and the rapidly evolving regulatory landscape may have increased interest in crypto as an investment by helping address some associated risks.

The Regulatory Landscape Is Expanding For Cryptocurrencies

Although crypto is still a very small allocation in U.S. state reserve and pension holdings, many states are in various stages of implementing policy changes to allow the use of bitcoin or other cryptocurrencies in their general fund and/or pension trust assets. Increasing investor interest, particularly in bitcoin, and the refinement of crypto regulation in the U.S. and around the world, including stablecoins, help the market increasingly treat crypto as a legitimate investment. See “Stablecoin Regulation Gains Global Momentum,” published Feb. 10, 2025, on RatingsDirect. In addition, the creation of crypto ETFs alters the risk profile of crypto to exchange the novel operational and cyber risks of direct ownership for counterparty risks comparable with those of more typical high-risk investments. Although direct ownership of crypto requires specialized infrastructure and staffing, ETFs pass much of the risk and the complicated setup to a large financial entity for a fee.

Continue reading.

[Free Registration Required]

27 Mar, 2025

[S&P: The U.S. Public Finance Housing Sector Could Face Credit Pressure From Federal Policy Shifts]

Key Takeaways

- Affordable housing issuers that rely on federal funding could face operating pressures amid federal policy uncertainty, staffing cuts, higher tariffs, and potential appropriation reductions.
- Public housing authorities and stand-alone Section 8 properties could be the most exposed to credit pressures depending upon how evolving federal policy is implemented.
- We believe that issuers can help mitigate uncertainty through proactive management planning and financial flexibility.

Continue reading.

3 Apr, 2025

S&P Rating Changes Of 25 Major U.S. Cities Since 2000.

View the S&P rating changes.

1 Apr, 2025

ARPA SLFRF Reporting Language: What to Know - NLC

Co-authored by Claire Chan, the Manager of Research and Federal Relations at the Georgia Municipal Association

The April 30, 2025 reporting deadline for the American Rescue Plan Act's (ARPA) State and Local Fiscal Recovery Funds (SLFRF) is rapidly approaching, and many local governments have questions about how to accurately and effectively draft their reporting language. Below, we provide guidance on frequently asked questions (FAQs) and offer examples of what to do — and what to avoid.

Project Descriptions: Key Guidelines

Project descriptions must be detailed enough to convey the major activities involved and must be between 50 and 250 words.

Continue reading.

National League of Cities

by Dante Moreno

April 7, 2025

S&P: The U.S. Public Finance Housing Sector Could Face Credit Pressure From Federal Policy Shifts

Key Takeaways

- Affordable housing issuers that rely on federal funding could face operating pressures amid federal policy uncertainty, staffing cuts, higher tariffs, and potential appropriation reductions.
- Public housing authorities and stand-alone Section 8 properties could be the most exposed to credit pressures depending upon how evolving federal policy is implemented.
- We believe that issuers can help mitigate uncertainty through proactive management planning and financial flexibility.

Housing Issuers Could Grapple With Federal Cuts

U.S. affordable housing issuers, including public housing authorities (PHAs), housing finance agencies (HFAs), nonprofit housing developers, and community development financial institutions (CDFIs), have historically demonstrated management strength and the financial flexibility to navigate changing economic and policy environments, including the Great Recession and the COVID-19 pandemic.

Continue reading.

3 Apr, 2025 | 15:11

Municipal Bonds Extend Rally as Investors Seek Tariff Haven.

State and local government debt rallied for a second day as investors sought shelter from the sinking US stock market after President Donald Trump's tariffs stoked fears about an economic downturn.

Municipal bond yields on Friday fell as many as nine basis points as of 11 a.m. in New York, echoing a widespread surge in US government debt as buyers try to shield cash from the tariff fallout.

"The markets are definitely in a risk-off mood," said Abigail Urtz, a strategist at FHN Financial. "We've seen some tremendous movements in Treasury yields and munis are along for the ride."

Continue reading.

Bloomberg Markets

By Elizabeth Rembert

April 4, 2025

Muni Rout Drags On After Market Sees Worst Day in 31 Years.

Municipal bonds extended their slump on Tuesday, following the market's worst daily slide in three decades, as a wave of tariff-induced selling pressure continued.

A benchmark index of municipal bonds dropped 2.85% on Monday, the biggest daily decline since at least 1994, according to data compiled by Bloomberg. The historic rout caused several deals to be postponed and wiped out total gains for this year. The pain continued on Tuesday with yields increasing as much as 10 basis points as of 11:00 a.m. New York time.

"The whole market moved from being buyers to being sellers in a very short period of time with nobody willing to take the other side of the trade," said Christopher Brigati, chief investment officer at SWBC.

Continue reading.

Bloomberg Markets

By Aashna Shah, Shruti Singh, and Amanda Albright

April 8, 2025

Muni Bonds Jump on Haven Rally.

Municipal bonds are providing a refuge for investors facing major stock-market losses as President Donald Trump's widespread tariffs fuel concerns about a recession. Bloomberg's Danielle Moran has more on the story.

Watch video.

Bloomberg Markets – Muni Moment – TV Shows

April 3rd, 2025,

Munis Rally Most in Five Months as Investors Seek Haven Assets.

Municipal bonds are providing a refuge for investors facing major stock-market losses as President Donald Trump's widespread tariffs fuel concerns about a recession.

State and local government bond yields are down as much as 11 basis points as of 3:00 pm New York time, with muni debt taking their cue from a broader rally in US government bonds as buyers seek haven assets.

"The market is just very much in a risk-off mode, taking money out of riskier assets and driving into safety and liquidity in fixed income," said Chris Brigati, chief investment officer at SWBC.

Continue reading.

Bloomberg Markets

By Erin Hudson and Aashna Shah

April 3, 2025

Trump Order on CDFI Fund Risks Aid for Small Businesses, Housing.

Credit unions, banks and nonprofits are alarmed by an executive order targeting Community Development Financial Institutions, which support projects in low-income areas.

Banking usually doesn't make for great cinema unless a heist is involved. But one classic movie moment is the exception: the famous bank run scene in It's a Wonderful Life, in which a community rallies around a public-minded savings and loan. It's a poignant depiction of the powerful metaphor of community lending.

That ideal — local money funding local enterprise and development — explains the angst over a March 14 executive order by President Donald Trump that targeted, among other institutions, the Community Development Financial Institutions Fund. This bipartisan program provides capital for local credit unions and banks to help develop lower-income communities. Trump's directive ordered that the government corporation's functions be reduced to the statutory minimum required by law.

Continue reading.

Bloomberg CityLab

By Patrick Sisson

April 7, 2025

Forbes: Everything You Need To Know About Muni Bonds Right Now

The economy is slowing. And if you believe that these tariff-tapping brakes are going to land us in a recession, these muni bonds (with tax-equivalent yields up to 12.4%) are for you.

This is the time to recession-proof our retirement holdings. The new administration appears to want to get a slowdown "out of the way" early. Atlanta's GDPNow forecast says the economy is already shrinking:

Continue reading.

Forbes

By Brett Owens, Contributor
Brett uses "second-level thinking" to find dividend stocks to buy.

Apr 03, 2025, 10:55am EDT

Fidelity Expands ETF Shelf with Muni Bond Strategies.

The new municipal debt offerings build on a growing trend of ETF use among advisors while tapping into investors' growing need for safety amid volatility.

Fidelity Investments has launched two new municipal bond ETFs, expanding its lineup of fixed income products as investor appetite for tax-advantaged and cost-efficient vehicles continues to grow.

The two funds – Fidelity Municipal Bond Opportunities ETF and Fidelity Systematic Municipal Bond Index ETF – are now trading on Nasdaq and available commission-free on the firm's online brokerage platforms.

The products launched on Monday, which were converted from existing mutual funds, will maintain their respective investment strategies.

Continue reading.

investmentnews.com

By Leo Almazora

APR 07, 2025

Navigating Muni Bonds: Three Potential Paths to Success

Even with GPS and mapping software, a taxi driver who knows a good shortcut through a city is more than worth their tip. The municipal bond market—with 50,000 issuers—is like a big city, and as portfolio managers at Vanguard, we seek to generate value for our clients with the same skill a driver uses to deliver riders quickly and safely to their destination.

We currently see three alpha opportunities in the "three Cs": credit, carry, and convexity.

1. Credit

With a team of more than 20 credit analysts, research is one of the primary strengths of Vanguard's Fixed Income Group. We look to identify mispriced issuers with strong or improving fundamentals and those for which higher yields compensate investors for the extra risk taken.

Continue reading.

Vanguard

April 1, 2025

BlackRock Launches High-Yield Municipal Interval Fund.

BlackRock has launched a high-yield municipal interval fund which will be available to its retail wealth clients.

The BlackRock Municipal Credit Alpha Portfolio seeks to provide attractive after-tax total return through income and capital appreciation, by investing in municipal securities.

The fund's institutional share class (MUNEX) is launching with a 5.75 per cent annualised rate on the initial net asset value, payable monthly. MUNEX has approximately $565m (£437.3m) in managed assets, making it one of the largest municipal interval funds.

"In our view, high yield municipal bonds offer alternative return drivers that complement traditional fixed income portfolios," said Patrick Haskell, head of BlackRock's municipal bond group.

"We think that the interval fund structure is the best way to take advantage of inefficiencies in the high yield market, from both a yield and total return perspective.

"Our expertise in this market, particularly in the event-driven space, provides investors a unique opportunity for high tax-efficient yield and superior total return."

Read more: BlackRock predicts more performance dispersion in private debt

"The fund's interval structure provides long-term capital, allowing my team to take advantage of bond market volatility and inefficiency," added Ryan McDonald, portfolio manager for MUNEX.

"This enables MUNEX to invest in traditional high yield assets, while also utilizing our deep credit expertise to identify less liquid opportunities and special situations.

"Furthermore, the interval structure allows us to purchase assets when others are compelled to sell, potentially securing higher yields and greater overall returns."

alternativecreditinvestor.com

by Kathryn Gaw, Patrick Haskell & Ryan McDonald

April 1, 2025

Corporate and Municipal CUSIP Request Volumes Increase in February.

NORWALK, Conn., March 25, 2025 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for February 2025. 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 strong monthly increase in request volume for new corporate and municipal identifiers.

North American corporate CUSIP requests totaled 8,103 in February, which is up 79.9% on a monthly basis. On an annualized basis, North American corporate requests were down 7.1% over February 2024 totals. The monthly increase was driven by a 112.8% rise in request volume for U.S. corporate debt identifiers, along with increases in request volume forshort-term certificates of deposit (61.6%) and longer-term certificates of deposit (19.5%).

The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – rose 36.4% versus January totals. On a year-over-year basis, overall municipal volumes were up 17.1%. Texas led state-level municipal request volume with a total of 118 new CUSIP requests in February, followed by New York (73) and California (65).

Continue reading.

Charter Schools, Colleges Push Muni Debt Distress Near Record.

Municipal bonds issued for riskier projects like charter schools and small colleges may break a 12-year record for distress as pandemic aid dries up and inflation raises the cost of labor and supplies.

So far this year, 46 borrowers have become impaired, meaning they have defaulted on their debt, used reserves to make payments or missed financial metrics required by bondholders, according to

Municipal Market Analytics. Last year, the independent research firm tallied 47 impairments in the first quarter, the most since 2012.

Much of the stress has come in the form of borrowers missing targets for debt-service coverage or the amount of cash on hand. Charter schools, which are privately run but taxpayer funded, are showing the most strain, with 15 impairments. Last year, a record 45 charter schools reported distress, according to MMA.

Continue reading.

Bloomberg CityLab

By Martin Z Braun

March 26, 2025

Fitch: U.S. NFP Hospitals See Margin Improvement, but Challenges Mount

Fitch Ratings-Austin/New York/Chicago-26 March 2025: Fitch-rated not-for-profit (NFP) hospitals and healthcare systems with early fiscal year ends (FYE) saw notable improvement in 2024 median financial performance relative to the prior year, Fitch Ratings says. We anticipate full calendar year (CY) 2024 median results for all Fitch-rated NFP hospitals will be at least in line with the audited financial results for those hospitals with a FYE in 1H2024. However, full CY medians will remain well below pre-pandemic levels, even at the higher end of the rating spectrum.

The median operating margin for providers with early FYEs improved to 1.2% in CY2024 from -0.5% in CY2023. A decline in personnel costs, particularly a continued drop in contract labor use, contributed to the improvement in operating profitability. Personnel costs as a percent of total operating revenues fell to 54.5% in 2024 from 55.4% in 2023 when comparing mid-year FYE results.

Persistent labor challenges continue to push base salary and wage expenses higher, leading to a significant median yoy expense increase of 6.9%. This would have been even higher without the sector’s ongoing efforts to recruit and retain talent, streamline operations and optimize supply chains. Fitch expects workforce development to remain a central focus for health systems to address labor shortages, enhance staff capabilities and maintain sustainable profitability levels.

Continue reading.

Using Blockchain to Democratise US Municipal Securities.

Officials from Quincy in Massachusetts on innovative ways to manage public finances

In April 2024 the city of Quincy in Massachusetts issued the first blockchain-based bond in the US with the aim to democratise debt sales for its citizens. Eric Mason, chief financial officer for Quincy, explains the city is building a new school using the technology. And blockchain could eventually allow somebody dropping off their child to see that they are earning interest from the bond which financed the building.

“Mayor Thomas Koch said the first goal was to prove the ground through the technology — you have to paddle a little while before you can swim in the ocean,” Mason says. “Our long-term goal is to use blockchain to democratise debt.”

The process started about a year before the issue when Ian Cain, city council president, read about Siemens, the German industrial company, selling a digital bond, and the district of Lugano in Switzerland issuing a bond on blockchain. He then asked if Quincy could do the same. City officials met with financial advisers at Hilltop Securities for a brainstorming session and reviewed everything, from Quincy generating its own token to pure decentralisation.

Continue reading.

thebanker.com

by Shanny Basar

March 25, 2025

Municipal Bonds Face Climate Risks Head-On Across the U.S.

What’s going on here?

Municipal bonds across the US are now reflecting climate risks more explicitly, alerting investors to environmental challenges with spotlight data from ICE Climate Data.

What does this mean?

As the climate crisis intensifies, municipal bonds are under scrutiny, accentuating the financial repercussions of environmental threats. Ocean City, NJ is leading with a $13 million bond marked by an ICE Climate Data Flood Score of 5.0, indicating severe flooding risk. Close behind, Lindenhurst, NY is planning a $7 million issue with a 4.6 flood score. Meanwhile, Pennsylvania’s Jeromy Shore Area School District and California’s Val Verde Unified face flood and wildfire risks, scoring 4.1 and 4.2, respectively. Florida’s Brevard County School District adopts a comprehensive climate risk view with a $54 million bond rated at 3.8 total climate risk score. ICE Climate Data’s scoring, ranging from 0.0 to 5.0, offers investors insights into the potential climate hazards these bonds face.

Why should I care?

For markets: *Navigating climate-conscious investments.*

The climate-focused shift in municipal bonds prompts investors to reevaluate traditional risk metrics, factoring in potential climate impacts into their financial strategies. Changes in flood and wildfire risks can alter property values and resource allocation, directly affecting bond yields and appeal.

The bigger picture: *Climate risk becoming mainstream in finance.*

With cities and districts across the US integrating climate data into bond assessments, there’s increasing acknowledgment of environmental risks in financial evaluations. This transition is critical for preparing broader economic systems to withstand the financial demands of intensifying weather-related events.

[State Rainy Day Fund Growth Slowed in Fiscal 2024.]

After years of rapid expansion, growth in state rainy day funds slowed in fiscal year 2024. Although the median rainy day fund balance increased by 7% in fiscal 2024, that still marked a steep drop from the 31% rise recorded the previous year, according to state data reported to the National Association of State Budget Officers (NASBO). This slowdown represents a return to growth rates that are more in line with prepandemic trends and reflects the end of the revenue wave that fueled record increases from fiscal 2021 to 2023.

Despite this moderation in the reserves growth rate, the capacity of rainy day funds—that is, the number of days they could cover state operations—increased in 22 states and nationwide, extending a decade-long trend that accelerated during the pandemic. Collectively, states could now operate on their reserves alone for a median of 49.1 days, up from 46.2 days in fiscal 2023. However, this growth comes as states are depleting their leftover budget dollars, known as ending balances, at the fastest rate since 2017. As a result, states' overall fiscal cushion is declining, leaving states with fewer resources to address widespread current and projected budget imbalances in the years ahead.

Continue reading.

The Pew Charitable Trusts

By: Justin Theal & Page Forrest

March 27, 2025

Is The State Revolving Fund In Jeopardy?

For decades, the State Revolving Fund (SRF) has served as a crucial financial backbone for water infrastructure projects across the United States. Established in 1987, the SRF provides low-interest loans to states and municipalities to maintain and improve drinking water and wastewater systems. The program, which operates under the Clean Water Act (CWA) and Safe Drinking Water Act (SDWA), has long enjoyed bipartisan support. However, recent executive actions from the Trump administration have raised concerns that even long-standing and widely supported programs like the SRF could face fundamental changes, or even outright repeal.

According to Stacy Barna, funding discipline leader and South Texas client service leader at CDM Smith, concerns about the future of the SRF surfaced as early as Day 1 of the current presidency. "One of the first executive orders that came out put a pause on the Infrastructure Investment and Jobs Act (IIJA), which has sent a lot of the additional funding over to the State Revolving Fund," she said. "So that was a concern."

This, combined with the pace and scope of efforts to enact changes, as well as the administration's methods for enacting them, has raised questions about the SRF's future.

Continue reading.

wateronline.com

By Christian Bonawandt

Guest Column | March 31, 2025

What FEMA's Demise Could Mean for Flood Insurance.

Flooding the zone

The announcement last week from Homeland Security Secretary Kristi Noem that she plans to "eliminate" the Federal Emergency Management Agency (FEMA) has cast a pall over the US government's disaster response unit.

While most of the focus has been on what it would mean for disaster recovery if the agency is wound down, there's another big issue at stake: FEMA's foundational role in managing the National Flood Insurance Program (NFIP). Any changes to the program or how it's run can potentially disrupt the lives of millions of homeowners living in flood-prone areas.

Congress created the program in 1968 because private insurance for flood risk failed; insurers simply couldn't price policies affordably enough for most homeowners. The government stepped in and offered subsidized rates. As of the end of 2023, according to FEMA's website, it held 4.7 million policies and $1.3 trillion in liability.

Continue reading.

Bloomberg Green

By Leslie Kaufman

March 31, 2025

National Association of Counties and cashVest by three+one Announce $1.3 Billion in New Revenue for Public Agencies in 2024.

WASHINGTON – The National Association of Counties (NACo) and cashVest by three+one today announced their collaborative efforts generated over $1.3 billion in new revenue for public entities in 2024, while simultaneously saving them millions in bank fees. This achievement highlights the impact of untapped sources of revenue, providing essential financial stability during uncertain times.

NACo partnered with three+one in 2020 to strengthen county finances using the cashVest portal. The portal allows counties to put dollars on deposit to work while still maintaining necessary cash flow balances. The partnership has supported hundreds of County governments to date and generated over $3 billion in new revenue for public entities.

County finance departments benefit from the cashVest program, which combines powerful liquidity data with hands-on guidance from a dedicated relationship manager. As a third-party data provider, cashVest by three+one analyzes cash flow and investment history on behalf of the county, providing data-driven insights and actionable recommendations. This empowers finance professionals to strategically allocate funds, optimize liquidity and maximize interest earnings, all while ensuring transparency and financial strength for the communities they serve.

“For county finance departments, the ability to generate new revenue while gaining insights into their financial future is invaluable,” said NACo CEO/Executive Director Matthew Chase. “This partnership ensures public entities are better equipped to manage uncertainties and prepare their 2026 budgets and beyond.”

The generation of new revenue is due in large part to three+one’s innovative MC Liquidity Forecast Model®. Built on decades of expertise in public finance, higher education and business, this tool integrates over 2.4 trillion data points from various economic cycles. The tool offers liquidity forecasts extending six months ahead, enabling public agencies to confidently navigate critical financial decisions.

For more information about NACo’s partnership with cashVest by three+one, click here.

About National Association of Counties (NACo)
The National Association of Counties (NACo) strengthens America’s counties, including nearly 40,000 county elected officials and 3.6 million county employees. Founded in 1935, NACo unites county officials to advocate for county government priorities in federal policymaking; promote exemplary county policies and practices; nurture leadership skills and expand knowledge networks; optimize county and taxpayer resources and cost savings; and enrich the public’s understanding of county government. www.naco.org

About three+one
three+one is a cutting-edge financial technology company committed to optimizing liquidity management for public entities. By leveraging advanced data analytics and financial expertise, three+one helps public agencies maximize their financial potential and achieve greater fiscal health.

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NACo contact: Nicole Weissman, nweissman@naco.org

Muni Bonds Lag Treasuries by Most Since 2020 With March Loss.

Municipal bonds are heading for their worst month — compared to US Treasuries — since the asset class’s pandemic-fueled rout in March 2020.

Munis are track for a 2% loss this month, while US Treasury returns were flat as of March 30, according to Bloomberg index data. Though, the rout is poised to ease on Monday, as both asset classes are rallying as stock-market weakness sparks demand for safe-haven investments. Muni yields have dropped by as much as 4 basis points across the curve.

March is generally a tough month for the US state and local debt market. Sales of new debt tend to be higher — issuance this month has surged 20% year-over-year, according to data compiled by Bloomberg. But fewer bonds mature around this time, so investors may not have the money to reinvest. Some investors even sell their holdings to pay their tax bills due in April, adding to the pressure.

“Lighter redemptions in each month can be combined with average to heavier supply to create headwinds,” Kim Olsan, senior fixed-income portfolio manager for NewSquare Capital LLC, wrote in a email.

This March, these dynamics are exacerbated by policy-related uncertainty. Investors are assessing whether Republicans’ effort to extend the 2017 tax cuts could pose a threat to the tax-exempt status of muni bonds.

These considerations have weakened demand, with investors yanking about $573 million from municipal-bond funds in the week ended Wednesday — the third straight week of outflows, according to LSEG Lipper Global Fund Flows.

The underperformance has meant that munis have cheapened compared to Treasuries. A key gauge of relative value in the market — a percentage of AAA muni yields versus Treasuries — shows that state and local debt is at its cheapest level since November 2022.

Despite this recent weakness Bank of America Corp. strategists said on Friday that they expect the backdrop to improve a bit by the second half of April, after taxes are due.

Still, supply looks like it will stay elevated even as demand teeters. JPMorgan Chase & Co. strategists said in a note on Monday that the $10 billion of sales slated for this week could pressure the muni market.

Last week’s underperformance in munis was “chiefly the result of onerous net supply, UST rate volatility, exchange-traded fund outflows, and tax-loss trading,” they added.

Bloomberg Markets

By Amanda Albright

March 31, 2025

Muni-Bond Rout Comes as Concerns Brew Over Tax-Exemption Repeal.

Municipal bonds are selling off this week, causing state and local government debt to cheapen compared to US Treasuries.

The rout comes after threats over a pullback in the muni tax-exemption have mounted. Those concerns coupled with recent market volatility, elevated bond issuance and seasonal pressure caused by investors selling to pay tax bills, have put pressure on the public finance market.

“When we talk to customers, the tax-exemption is having an impact — and it’s having an impact even if people are staying on the sidelines,” said Ryan Henry, a strategist at FHN Financial.

Continue reading.

Bloomberg Markets

By Amanda Albright and Martin Z Braun

March 27, 2025

Bank of America Boosts 2025 Muni Sales Forecast to $580 Billion.

The municipal bond market's biggest underwriter is expecting even more issuance this year as state and local governments tap the market at a rapid clip.

Strategists at Bank of America Corp. lifted their muni-bond issuance projection for 2025 to $580 billion from $520 billion, according to a research note published Friday.

The revision comes after an exceptionally strong start to muni bond sales this year, with more than $118 billion issued already, the most in at least a decade, according to data compiled by Bloomberg. Much of the growth has been in deals for infrastructure projects rather than refinancings, the strategists said.

Continue reading.

Bloomberg Markets

By Aashna Shah

March 28, 2025

Navigating Washington's Risks: Mar-a-Lago Accord, Tariffs and Municipal Tax Exemption - JPMorgan

U.S. equities are heading lower this week ahead of "Liberation Day" — the day the Trump Administration has said it will unveil its reciprocal tariff strategy.

U.S. consumers are not convinced about the prudence of the White House's strategy. Consumer confidence fell to the lowest level in four years in March, largely due to concerns about higher prices and the economic outlook amid escalating trade policy uncertainty. Their expectations for the future also darkened. The expectations component of the index fell to the lowest level in 12 years. Equity investors looking for a silver lining should know that spikes in policy uncertainty and troughs in consumer sentiment counterintuitively augur stronger forward returns ahead. Sometimes, it really is darkest before the dawn.

Economic data this week also signaled some reprieve. The Citi U.S. Economic Surprise Index (which measures how economic data is coming in relative to economist expectations) has increased from -16.5 in February to -4.6 now. Indeed, it seems like "hard" measures of economic data are holding up much better than the "soft" data derived from people's perceptions.

Continue reading.

BlackRock ETF Buys First Muni Bonds Issued via Blockchain.

BlackRock's iShares Short Maturity Municipal Bond ETF, also known as MEAR, just made history by purchasing municipal bonds issued and settled entirely on blockchain.

The bonds, issued by Quincy, Massachusetts in April, were sold using JPMorgan Chase's private blockchain platform. This deal handled everything from issuance to settlement on the blockchain, completely bypassing traditional methods.

The Quincy transaction involved $6.5 million in municipal debt purchased by BlackRock, a huge player in the financial world. A BlackRock spokesperson reportedly called it a part of their actively managed ETF, MEAR, which holds $750 million in client assets and has been in operation since 2015.

Quincy Bonds and JPMorgan's blockchain tech

The city of Quincy made waves earlier this year when it issued bonds using blockchain tech instead of the traditional system. JPMorgan's blockchain platform, Digital Debt Service, was at the center of this innovation.

This platform managed everything. It cut out intermediaries, making the process faster and more efficient. The bonds stayed on the blockchain from issuance to settlement, a system that had never been attempted in municipal finance before.

BlackRock is the first big player to jump into the Quincy deal. The firm updated its ETF's prospectus to allow blockchain-based bond investments. This required a filing with the U.S. Securities and Exchange Commission, which also outlined the risks, like limited liquidity and the possibility of bugs or errors in the blockchain application.

Municipal bonds have traditionally been a conservative corner of the market, full of paperwork and delays. But not when the blockchain is in play.

BlackRock's ETF stays strong

Its iShares Bitcoin Trust (IBIT), launched earlier this year, is smashing records. Over the past day, IBIT pulled in $740 million in inflows. It now manages over $51 billion in assets, making it one of the fastest-growing ETFs in history.

Over the past 24 hours alone, IBIT pulled in $740 million. Combined with Ethereum ETF inflows, BlackRock's crypto ETFs hit $860 million in just one day.

To put that in perspective, it has already outpaced BlackRock's gold ETF, which has been around since 2005. Investors are pouring money into IBIT, while competitors like Grayscale's Bitcoin Trust are bleeding cash. Grayscale has suffered $21 billion in outflows this year.

Bitcoin's price trading above $108,000 has further fueled interest. Market watchers expect it to hit $110,000 soon, thanks to a dovish Federal Reserve policy and increased institutional demand.

[S&P: U.S. Public K-12 Schools Credit Quality Is Not Currently At Risk From Proposed Changes To Department Of Education]

Key Takeaways

- S&P Global Ratings does not expect President Trump's recent executive order that would eliminate the U.S. Department of Education (DOE) to result in widespread credit deterioration or downgrades, but some kindergarten to 12th-grade (K-12) education providers may experience operating pressure.

- Public K-12 schools currently receive the majority of their annual revenues from state and local funds.
- All 50 states operate their own departments of education and, therefore, determine how school operations are funded. Should federal funding to K-12 schools decrease, we expect that each state will determine its response to the shifts.
- It's uncertain how the details of Trump's executive order will unfold and what that would mean for federal funding to local education agencies. If there are significant federal aid cuts or delays, liquidity–particularly for those schools or districts more dependent on federal dollars–would become increasingly important.

Continue reading.

Free registration required.

24 Mar, 2025

Fitch: Recent Cyberattacks Highlight Credit Risk to Vulnerable NFP Hospitals

Fitch Ratings-San Francisco/New York/Austin-19 March 2025: Recent cyberattacks on U.S. not-fo--profit (NFP) hospitals have highlighted the risk to some healthcare providers, particularly smaller hospitals or hospitals with fewer financial resources, Fitch Ratings says.

Threat actors continue to target hospitals and health systems given the sensitive data they maintain and technology vulnerabilities, including use of third-party vendors and equipment. While most cyber events to date have not materially affected a hospital's credit quality, Fitch recently took rating actions on two healthcare credits, Frederick Health Hospital in Maryland and Palomar Health in California, partly because of cyber incidents. Both providers are comparatively smaller with relatively weaker balance sheets and limited cushion for additional stress when compared to Fitch's rated universe.

On March 14, 2025, Fitch downgraded Palomar's Issuer Default Rating (IDR) to 'B-'/RON from 'B'/RWN due to continued financial challenges. This follows a downgrade in December 2024 from 'BB+'/RON due to pressured financial performance, which was exacerbated by a significant cyber event whose recovery lasted several months and severely disrupted operations and key billing functions.

Fitch downgraded Frederick Health's IDR to 'BBB'/RWN from 'BBB+' in February 2025 as a result of slower-than-expected recovery in operating performance. However, the RWN reflects uncertainty around the financial and/or reputational impact a recent cyberattack will have on the hospital. Fitch believes the attack and potentially prolonged recovery may lead to a heightened level of stress and weaken financial metrics.

These rating actions underscore the importance of robust cyber resilience measures to withstand and quickly recover from cyber incidents, although issuers with fewer resources may have a more difficulty improving current cyber defenses.

Fitch may take negative rating action if a hospital's financial profile is deemed to be materially impaired, or at risk for impairment, in the aftermath of a cyber event. A cyberattack that affects a hospital's ability to provide service, including affecting relationships with physicians and staff, and/or hinders customer billing could temporarily reduce revenue generation for the system.

Typically, a hospital's liquidity position provides a rating cushion for one-off events with limited operational and financial disruption.

Often, longer-term recovery expenses outstrip the immediate costs associated with a cyber breach. Such expenses, including remediation and enhanced security measures, along with increased cybersecurity insurance premiums, legal costs, and staffing and compliance expenses could add to a hospital's operating costs, erode liquidity and decrease funds available for debt service. With NFP hospitals already facing greater demands on their budgets from inflation and labor costs, unexpected borrowing to bolster cybersecurity infrastructure, including updating compromised hardware and software systems, may weaken leverage metrics and erode credit quality.

Fitch Affirms U.S. Municipal Standalone GARVEE Ratings.

Fitch Ratings – New York – 20 Mar 2025: Fitch Ratings has affirmed the ratings for the following standalone grant anticipation revenue vehicle (GARVEE) bonds:

–Chicago Transit Authority at 'BBB';

–Florida Department of Transportation at 'A+';

–Georgia State Road and Tollway Authority at 'A+';

–Idaho Housing and Finance Association at 'A+';

–Kentucky Asset Liability Commission at 'A+';

–Maine Municipal Bond Bank at 'A+'

–State of North Carolina at 'A+'.

–New Jersey Transportation Trust Fund Authority at 'A'.

The Rating Outlooks on all bonds are Stable.

Continue reading.

Municipalities are Waking Up to Climate Risk and That's a Good Thing.

Canadian and American cities are leading the way in disclosing climate-related financial risks and leveraging municipal green bonds to finance climate initiatives

When ratings agency Standard & Poor's (S&P) downgraded the creditworthiness of the largest municipal utility in the United States, some experts warned it could signal early cracks in the historically stable municipal bond market. But the wider consensus is that municipalities—in both the U.S. and Canada—are awakening to climate risk, a shift many see as a positive development.

In Canada, cities like Toronto, Montreal, and Vancouver are leading the way in disclosing climate-related financial risks and leveraging municipal green bonds, fixed-income investments issued by cities to finance infrastructure resilience and climate initiatives. Toronto alone had raised more than US$1 billion in green bond issuances as of November 2023, writes the World Economic Forum (WEF).

But the heightened risk is still out there. On January 14, in an industry first, S&P Global Ratings downgraded the Los Angeles Department of Water and Power (LADWP) two notches from a very secure AA- rating to an A, which remains secure, but with vulnerabilities.

Continue reading.

corporateknights.com

by Gaye Taylor

March 20, 2025

Muni Risk Threshold Tested by $1 Billion Deal for Tire Factory.

The muni market's seemingly insatiable appetite for high-yield bonds will be tested next week by a $1.15 billion debt sale for a new tire factory.

A local agency called the Salina Economic Development Authority, charged with spurring economic growth in Oklahoma, is borrowing the debt to build and equip the plant. Though, the factory will be managed by American Tire Works — an offshoot of a company domiciled in Finland. ATW is working with Black Donuts Inc. — a Finnish consulting and technology firm focused on tire manufacturing.

The bonds are unrated and will be sold only to qualified investors, features that indicate a high degree of risk. The debt is backed primarily by revenues derived from the operation of the plant. Interested buyers will have to weigh the credit concerns with what is slated to be a juicy yield. Roadshow documents modeled debt with an 8% coupon and a 8.46% tax-free yield.

Continue reading.

Bloomberg Markets

By Aashna Shah

March 20, 2025

Rethinking Budgeting Reports: First Principles of Public Finance - GFOA

First principles are the basis for any field, including public finance. They express a fundamental truth about public finance. They remain consistent despite technology and organizational characteristics of public finance that change over time. Understanding first principles is a necessary complement to knowing best practices.

Read more

Introducing the Strong Towns Finance Decoder.

Cities across North America struggle with financial challenges, yet the tools we use to understand local budgets often fail to reveal the full picture. Year-to-year budget reports focus on short-term balance — ensuring that revenues match expenses — but they do not answer the deeper question: Can we sustain what we've built?

At Strong Towns, we advocate for financial resilience — cities that can maintain essential services, adapt to economic shifts, and avoid long-term financial crises. This requires looking beyond annual budgets to understand the structural forces shaping our financial future.

By applying a framework that examines financial sustainability, flexibility and vulnerability, we can better assess whether a city's budget is on a trajectory toward stability or decline. These three indicators provide a structured way to analyze budgets beyond short-term balances, helping local leaders make informed decisions that will benefit communities not just this year, but for generations to come.

Continue reading.

strongtowns.com

by Charles Marohn

March 24, 2025

From Bitcoin to Bonds: The Unexpected Blockchain Revolution in Muni Markets

Cryptocurrencies like Bitcoin and Ethereum have captured the attention of many investors, pundits, and even politicians. With such support, the asset class is now seen as a must-have for our digital future. But despite the promise, cryptocurrency investments remain as volatile as ever, with large—price swings and the potential for heavy losses until paying for crypto becomes commonplace.

So, it may come as a surprise that the volatile crypto market is making for strange bellows in the conservative municipal bond sector.

State and local governments aren't issuing bonds in Bitcoin. However, they are starting to use some of crypto's processes to remove the barriers to buying/selling muni bonds. With that, adding these assets could become much easier for smaller investors, reducing wide bid/ask spreads and creating transparent pricing.

Continue reading.

dividend.com

by Aaron Levitt

Mar 24, 2025

WSJ: Fast-Changing Federal Policies Shuffle Municipal-Bond Strategies

Some sectors and localities could get an economic boost while other look more vulnerable in an uncertain market

Tariffs, deportations and potential cuts to the federal budget are pushing municipal-bond investors to reevaluate debt from school districts, hospitals, port operators and other issuers.

The shifting policy landscape means entities considered safe just a few months ago now look more vulnerable in an uncertain market, while some sectors and localities could get an economic boost. The changes have bond-portfolio managers sifting through their asset allocations for signs of trouble.

“On a daily basis, we are really hanging on to every” post on President Trump’s TruthSocial account, said Dan Close, head of municipals at Nuveen. “We are looking at everything that comes out of the administration to see how tariffs, regulations, immigration, the muni exemption is going to impact the overall market.”

Close said that Nuveen isn’t making significant changes to its portfolio until there is more clarity about federal policies. For now, his team is analyzing individual issuers to understand “what our exposure is [and] what the potential impact to that exposure is and then just being prepared.”

The political turbulence is making investing less predictable than usual across asset classes. U.S. stock indexes and Treasury yields have moved sharply as markets struggle to figure out how announced measures will hit the economy. In the multifaceted landscape of municipal bonds, the policy whirlwind touches nearly everything.

“Broad and rapid federal policy changes since January 20 have far-reaching credit implications for US public finance, nearly all of them credit negative,” Moody’s said in a recent report.

Overall, munis are still considered a very low-risk investment, appealing mainly to institutional investors and wealthy individuals looking to hedge their portfolios from rising volatility. But maintaining that safety has become more difficult given the new political winds.

In a sign of how the perception of risk evolved after Trump’s election, the yield-to-maturity in an S&P municipal-bonds index was nearly 0.2 percentage points lower than the 10-year Treasury yield last September. That means the asset class was perceived as safer than federal government debt. The spread turned positive as the election approached, peaking at 0.6 in early January. It stood at 0.2 Thursday, above the 12-month average, according to FactSet and Tradeweb data.

There are also stress signs within certain sectors that have become political hotspots. One concern is potential cost reductions in Medicaid under discussion in Congress as a way to secure budget room for federal tax cuts.

“Hospitals heavily reliant on Medicaid are at higher risk,” said Kevin Holloran, a director at Fitch Ratings. Potential federal budget cuts “could exacerbate these challenges, particularly in states with limited ability to offset reduced federal support.”

Total return for the S&P Municipal Bond Index was 0.25% this year as of March 13, while the hospital-specific gauge was a negative 0.08%, according to Nuveen.

Munis are particularly attractive to investors in the highest federal income tax brackets, because of their tax exemptions. Lawmakers are threatening to eliminate, or at least reduce, the incentives, in an added headwind for the overall municipal-bond market.

But even if the tax exemptions survive, a variety of other Trump policies are expected to hit munis.

Bonds issued by colleges are under investors' microscope as the government threatens to pull funding for some institutions.

Big high-education names have enough revenue to keep honoring debt even without federal grants, Christopher Lanouette, managing director for CIBC Private Wealth, said. But the potential clash with Washington puts the whole sector under risk.

Lanouette said he is avoiding higher education as "you are seeing the Trump administration targeting certain colleges and universities."

The Bloomberg US Municipal Index was up 0.06% this year as of March 13, while its education sector returned negative 0.08% over the same period, according to Nuveen.

"We are looking at things that look riskier now than when we bought them," Jason Appleson, head of municipal bonds at PGIM Fixed Income, said. "You have to go sector by sector and look for areas of uncertainty."

On the bright side, deregulation could alleviate near-term costs for utilities, Nuveen's Close said.

To be sure, some portfolio managers don't see the effects of Trump policies on munis as something particularly challenging. Paul Malloy, head of municipals at Vanguard, compared the elevated level of uncertainty with previous experiences such as the Covid pandemic.

"This is what we are here for; we are designed for this," he said about dealing with uncertainty. "This is what our investors expect of us."

The Wall Street Journal

By Paulo Trevisani

March 19, 2025

S&P: The Municipal Bond Market: Historical Resilience and Finding Opportunities

Amid the backdrop of fluctuating U.S. economic conditions, evolving interest rate policies and persistent inflation, the municipal bond market has demonstrated resilience. As investors grapple with uncertainties in equity and bond markets paired with rising tariffs affecting inflation, municipal bonds seem to be well positioned for diversification and stability. In 2024, the U.S. Federal Reserve executed a series of three interest rate cuts, with the final adjustment in December lowering the benchmark rate to a range of 4.25% to 4.50%. This move reflects a cautious shift in monetary policy, signaling the Fed's intention to adopt a more calculated approach as it navigates the economic landscape in 2025.

Continue reading.

by Catalina Zota
Director, Fixed Income Product Management

Mar 17, 2025

Best Mutual Funds Awards 2025: Best Municipal Bond Funds

If you're evaluating mutual funds for your investment portfolio or retirement account, this list highlights the best municipal bond funds to consider now, based on each fund outperforming the Bloomberg Municipal Bond Index over the past one-, three-, five- and 10-year periods.

Shaded cells in the table below indicate the five best-of-the-best funds based on 10-year performance. Of 443 municipal bond funds at least 10 years old, 55 of them, or 12%, were winners in the IBD 2025 Best Mutual Funds awards.

A municipal bond fund invests in municipal bonds (also known as municipal debt). These bonds are issued by states, municipalities, counties and special-purpose districts to fund capital expenditures. Municipal bond funds have different objectives depending on where they are located, the credit quality of the bonds, and the duration of the bonds. Municipal bonds are exempt from federal income tax and may be exempt from state income tax.

Continue reading.

investor.com

03/21/2025

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) $73.9 billion, +13.6% Y/Y
- Trading (as of February) $13.4 billion ADV, +7.0% Y/Y
- Outstanding (as of 4Q24) $4.2 trillion, +2.9% Y/Y

Download Report

March 13, 2025

Gauging the Impact of Federal Funding Cuts on Municipal Bond Sectors.

Many sectors appear well situated to weather the potential effects of planned fiscal changes.

In Brief

- Recent news regarding planned funding cuts to U.S. government programs and other fiscal changes has prompted questions from investors about the potential impact on municipal bond sectors, including healthcare, higher education, housing, and airports.
- We believe certain factors may help mitigate the potential for significant impacts, including strong post-pandemic financial conditions and diversified revenue sources for many issuers, and broad political support for programs such as Medicaid.
- While certain segments of the market are more exposed to federal funding changes, we do not anticipate substantial near-term impacts from these reductions.
- The changing U.S. fiscal spending backdrop highlights the importance of professional management, in our view, especially regarding credit research, security selection, and sector allocation.

Continue reading.

lordabbett.com

March 13, 2025

Fitch Ratings Updates U.S. Public Finance Tender Option Bond Rating Criteria.

Fitch Ratings-New York-11 March 2025: Fitch Ratings has updated its “U.S. Public Finance Tender Option Bond Rating Criteria”. This report replaces the criteria from March 16, 2021. The key elements of Fitch’s rating criteria remain consistent with those of its prior criteria report.

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NASBO: The Impact of Surplus Funds on State Budgets in Recent Years

The COVID-19 pandemic ushered in an atypical period for state and territory budgets marked by record-breaking revenue growth, unprecedented levels of surplus funds, and a sharp uptick in one-time expenditures. Recently, state fiscal conditions began to “normalize” as revenue growth slowed, collections came in closer to forecast, and states had less new recurring and one-time money to spend, bringing the recent era of substantial, widespread surpluses to a close.

In examining state expenditures and budget conditions, it can be helpful to understand the impacts of states’ unique revenue performance of recent years. Drawing on data from NASBO’s Fiscal Survey of States, this analysis seeks to illustrate the scale of the general fund revenue surpluses states experienced during the years following the onset of the COVID-19 pandemic, as well as their impacts on state expenditures and balance levels. Note that this analysis focuses only on state general funds, and does not consider the role of federal funds – including enhanced federal aid related to COVID-19 – in state budgets, aside from the indirect impacts federal stimulus had on general fund revenue collections.

Continue reading.

The Rating Process: Fitch Special Report

Read the Fitch Special Report.

Thu 13 Mar, 2025

Elite Colleges in Trump’s Crosshairs Rush to Bond Market at Record Pace.

America’s most prestigious colleges are rushing to the debt market at the fastest pace on record, locking in financing while they can to pay for campus projects or refinance debt against a backdrop of tax and funding threats.

Municipal bond sales for higher education are up more than 40% so far in 2025 compared to the same period a year earlier, reaching nearly $10 billion and eclipsing the prior record start to a year in 2017, according to data compiled by Bloomberg. The sector is outpacing the broader market even as issuance of state and local government debt as a whole runs hot.

From Ivy League institutions such as Harvard University and the University of Pennsylvania to other elite colleges such as Stanford University and Smith College, schools are crowding in to sell bonds, all within the span of weeks. Next up are borrowers including Colgate University — and the barrage is nowhere near done.

Continue reading.

Bloomberg Markets

By Amanda Albright and Elizabeth Rembert

March 17, 2025

[S&P U.S. Public Finance Rating Activity Brief: February 2025]

In this report we present rating actions at the debt type level (e.g., general obligation, sales tax, parking revenue, etc.) rather than at the issuer level. Therefore, an issuer may have multiple rating actions associated with it in different sectors in the tables and charts. Because we present the rating actions at the debt level, the metrics presented may not be comparable to other research published by S&P Global Ratings or by other S&P Global divisions.)

Key Takeaways

- There were more than 410 rating actions across USPF through Feb. 28, 2025.
- Upgrades outpaced downgrades in the local governments, transportation, and housing sectors.
- Downgrades outpaced upgrades in the charter schools, education, public power, health care, not-for-profit, and utilities sectors.
- Unfavorable outlook revisions have exceeded favorable outlook revisions year-to-date.
- Overall, downgrades have exceeded upgrades year-to-date.

[Continue reading.]

11 Mar, 2025

(Editor's Note: Data as of Feb. 28, 2025.)

[Fitch: Transit Oriented Development Projects Can Achieve Investment Grade Ratings]

Fitch Ratings-New York/San Francisco-11 March 2025: Affordable and/or essential residential Transit Oriented Development (TOD) projects, including those involving new construction, can be rated investment grade under Fitch Ratings' criteria. Affordable and essential housing projects (the latter also known as middle-income or workforce housing) typically have low construction complexity and are therefore likely to have low completion risk.

Our evaluation of affordable and essential housing TOD projects follows our U.S. Affordable Housing Ratings Criteria, which applies to essential housing projects aimed at middle-income residents (usually those earning between 80% and 120% of the area median income [AMI]) and affordable housing projects (targeted to residents earning less than 80% of AMI). If the project entails construction, we also apply our Completion Risk Rating Criteria.

Insufficient housing supply and low affordability, driven by high mortgage rates and home prices, remain formidable challenges to homeownership. These factors, along with insufficient funds for down payments, have priced many rental households out of the homeownership market, further driving up rental demand and rents. After years of under-construction following the Great Recession, new housing construction started to pick up steam following the onset of the pandemic, peaking in January 2022, but has since stagnated around 2019 levels.

Continue reading.

Fitch: New ERA Funding Pause Does Not Affect Electric Co-op Credit

Fitch Ratings-New York/Austin-11 March 2025: Uncertainties surrounding funding of the U.S. Department of Agriculture's (USDA) Empowering Rural America program (New ERA) are not expected to weigh on the credit ratings of electric cooperatives, says Fitch Ratings. Cooperatives are unlikely to face significant financial burdens related to the suspension of funding, given prudent resource planning and financial management.

New ERA program funding was halted by the Trump administration in January 2025 as part of a broader review of the Inflation Reduction Act (IRA) and Infrastructure Investment Jobs Act (IIJA). Under the executive order, federal agencies were given 90 days to complete a review of funding.

As of Jan. 10, 2025, 13 electric cooperatives rated by Fitch had been allocated grants and/or loans valued at over $6.5 billion. Some of the largest recipients include San Miguel Electric Cooperative and East Kentucky Power Cooperative, which were each allocated roughly $1.4 billion of investment. Funds were designated for projects related to electric grid resilience, renewable energy or battery storage projects.

The failure to fund these initiatives would represent a lost opportunity for cooperatives to significantly lower their cost of transitioning to a lower carbon emitting portfolio of resources but is unlikely to impair credit quality. Many of the proposed projects were contingent on funding and have yet to be started. These would likely be cancelled or significantly altered if the project economics prove burdensome.

Some projects had been planned and approved prior to the New ERA program's launch as part of each utility's resource planning process. In these cases, debt funding for the projects has already been accounted for, included in each utility's budget and financial plan, and considered in Fitch's rating analysis. While receipt of the approved funding would likely lower the overall cost of electricity to consumers and improve affordability, as well as improve financial coverage and leverage ratios, these positive credit aspects have not yet been factored into our rating analysis.

The New ERA program is designed to provide up to $9.7 billion in appropriated grants and low-cost loans to rural electric cooperatives to fund projects that reduce greenhouse gas emissions and promote clean energy. Eligible projects can involve energy efficiency improvements, carbon capture systems, construction of renewable energy systems or the purchase of renewable energy output. The New ERA program is managed by the USDA through the Rural Utilities Service (RUS).

Other USDA loan programs, including the electric infrastructure loan program administered by the RUS that provides over $40 billion in loans to approximately 500 electric cooperatives, are reportedly uninterrupted by the IRA and IIJA review and funding freeze. However, a similar disruption in funding and disbursement to these legacy lending programs, while not expected, could pressure liquidity and would be a greater concern.

Nearly all electric cooperatives rated by Fitch have established access to a variety of funding sources, including relationships with CoBank, National Rural Utilities Cooperative Finance Corp., and large commercial banks, as well as issuance in the public and private debt markets. But a significant number of the country's electric distribution cooperatives still rely heavily on funding from RUS programs.

How NLC's Filling the Gap Tool Helps Communities Unlock Housing Finance.

Housing availability and affordability remain critical challenges for communities across the nation. These challenges stem from various interrelated factors, including construction and development hurdles, the need for land use and regulatory modernization, infrastructure and workforce gaps and financing barriers.

To help leaders tackle these challenges, the National League of Cities and the American Planning Association released the Housing Supply Accelerator Playbook, a resource designed to support communities in navigating their housing supply challenges through a system approach. Expanding this effort, the Filling the Gap Tool: Unlocking Housing Finance focuses on tackling one of the most persistent barriers to housing development: access to financing.

Why Focus on Finance?

Financing challenges consistently emerge as significant barriers to housing development.

A key factor contributing to this challenge is the misalignment between what it costs to build housing developments versus what consumers can afford in the market. This challenge becomes more acute for affordable housing, where development costs far exceed what tenants or buyers can reasonably cover. This results in a persistent housing funding gap.

Continue reading.

National League of Cities

By: Stephanie Onuaja & Sarah Minster

March 14, 2025

EPA Region 1 Doubles Down on Unprecedented Effort to Require Stormwater Permits for an Expansive Range of Formerly Unregulated Properties: Beveridge & Diamond

Update: On January 31, under the new Trump administration, the U.S. Environmental Protection Agency (EPA) reopened the comment period for the 2024 Preliminary Designation and draft General Permit for CII properties. Written public comments, which were originally due January 29, 2025, are now due March 17, 2025, and may be submitted online.

Key Takeaways

- **What Is Happening?** On October 31, 2024, the U.S. Environmental Protection Agency (EPA)

Region 1 provided notice of two proposed actions pursuant to its "residual designation authority" (RDA) under the Clean Water Act (CWA) that would broadly regulate stormwater discharges from thousands of previously unregulated properties across Massachusetts. First, EPA re-issued a Preliminary Designation, which was initially published in 2022, of stormwater discharges from certain private commercial, industrial, and institutional (CII) properties for regulation under the National Pollutant Discharge Elimination System (NPDES) permitting program. Second, EPA published a draft General Permit for these CII properties. As Beveridge & Diamond reported in 2022, and remains true today, this is the first time EPA (or any authorized state) has attempted to exercise RDA on such a broad geographic scale and for such a wide variety of sources. On January 31, 2025, EPA reopened the comment period. Written public comments, which were originally due January 29, 2025, are now due March 17, 2025, and may be submitted online.
- **Who Is Affected?** In the near term, the Preliminary Designation and draft General Permit will impact most CII properties with one acre or more of impervious surfaces—such as golf courses and private schools—located in Massachusetts' Charles, Neponset, and Mystic River watersheds. Dischargers will not need to apply for an individual permit under the NPDES Program. Once EPA issues a final General Permit, dischargers must secure coverage by submitting a Notice of Intent (NOI) and receiving authorization to discharge by a certain date. *See* Draft General Permit § 1.10 (NOI timeframes). If finalized and allowed to stand, these actions could, in the longer term, provide a roadmap for other EPA regions and states to use RDA to sweep into the NPDES program a wide variety of formerly unregulated sources on a broad, categorical scale.

Continue reading.

Beveridge & Diamond PC – Erika H. Spanton, Richard S. Davis, Andrew C. Silton, Julia F. Li and Abby E Barnicle

March 12 2025

Supreme Court Invalidates Certain 'Narrative' Water Quality Limitations in NPDES Permits: BakerHostetler

Key Takeaways:

- SCOTUS has directed EPA (and state counterparts) to more clearly "spell out what a permittee must do or refrain from doing" in NPDES permits. Broadly worded, non-specific, "end-result" narrative limits are not longer enforceable.
- Additional legal challenges over permissible vs. impermissible "narrative" limitations in NPDES permits now seems likely.
- Facilities should evaluate their NPDES permits to flag limitations that may no longer be enforceable.

On March 4, the U.S. Supreme Court ("SCOTUS" or the "Court") issued a decision in San Francisco v. EPA that invalidated certain "end-result" water quality limitations in NPDES permits — specifically, those that "do not spell out what a permittee must do or refrain from doing" and instead generally "make a permittee responsible for the quality of water" in its receiving waterbodies. For example, limitations that prohibit a facility from "contributing to a violation of any applicable water quality standards" or "creating pollution, contamination, or a nuisance" under state law.

Continue reading.

BakerHostetler – Martin T. Booher, Thomas E. Hogan and Cory Barnes

March 10 2025

[Bloomberg: Alex Petrone on Single-State ETFs, Municipal Markets.]

Rockefeller Asset Management Head of Fixed Income Alex Petrone discusses single-state ETFs, municipal markets, and the Trump administration looking to reduce government spending. She speaks with Katie Greifeld, Eric Balchunas and Scarlet Fu on "ETF IQ."

[Watch video.]

Bloomberg ETF IQ TV Shows

March 10th, 2025, 12:37 PM PDT

[Model Portfolios, Municipal Markets Explained | Bloomberg ETF IQ 03/10/2025]

"Bloomberg ETF IQ" focuses on the opportunities, risks and current trends tied to the trillions of dollars in the global exchange traded funds industry.

Today's guests: Capital Group Head of Global Product Strategy and Development Holly Framsted and Rockefeller Asset Management Head of Fixed Income Alex Petrone.

[Watch video.]

Bloomberg ETF IQ TV Shows

March 10th, 2025, 1:52 PM PDT

[Interest Costs Could Eat Into City, State Budgets If Tax Exemption Is Axed.]

Cities like Chicago, Atlanta and Houston, which already spend a substantial chunk of revenue to cover interest on their bond debt, could face more budget strains if Congress moves to strip the tax exemption from municipal bonds.

That's according to the Tax Policy Center, which examined which large cities and states already face relatively high interest costs in a March 13 blog on the muni bond tax exemption.

TPC senior research associate Thomas Brosy, who wrote the piece, said it came about after he saw the exemption named in a list of potential revenue raisers floated by House Republicans in January.

"I felt it was worth exploring a little more what it would mean for specific states and cities – I was interested in doing a shallow dive into the variation in interest burdens," Brosy said, adding that he hopes the blog would “present some new facts for people interested in this issue.”

The blog is part of a drumbeat of data and reports centered on the costs and benefits of the municipal bond tax exemption as Congress tackles a massive tax package. The municipal market lobby is relying on pro-exemption arguments, including first-of-its-kind data from the University of Chicago, that illustrate how borrowing costs would rise for various cities and states if the exemption is eliminated. In aggregate, elimination of the tax-exemption would raise borrowing costs $823.92 billion between 2026 and 2035, according to the Government Finance Officers Association.

Those larger borrowing costs could become a “significant chunk” of the budgets of large cities, some of which have interest costs that already account for a double-digit share of expenditures, the Tax Policy Center found.

Brosy examined cities with populations over 500,000, and found that as of 2022, they had an average share of interest expenditures – on general obligation and revenue bonds combined – of about 5.6%, but with significant variation.

Atlanta, Houston, and Chicago had shares over 10%, while New York had a 6% share. Those cities are followed by Phoenix, El Paso, Dallas and Portland, Ore.

“I was surprised by how large the share was in terms of expenditures for some cities and states,” Brosy said.

New York, Illinois, Colorado, and Connecticut had the largest share of combined state and local interest. Connecticut by far had the largest share of interest on state debt, at more than 6% of its total expenditures, followed by Massachusetts, New York and Illinois.

Total interest expenditures in 2022, the latest year that U.S. Census Bureau numbers were available, averaged about 2.8% in the U.S., the blog said.

Interest on debt for state and local governments totaled $120 billion that year.

Brosy urged Congress to consider the pros and cons of the muni tax exemption. On the con side, it may not be the most efficient subsidy, as “the cost to the federal government is larger than the benefits received by state and localities,” he said. And the wealthiest 0.5 percent of investors had a 42 percent holding share in 2013.

On the pro side, repealing the exemption could lead to an increase in state or local taxes or spending cuts to maintain infrastructure, and the move may lead to less infrastructure investment overall, he said.

By Caitlin Devitt

BY SourceMedia | MUNICIPAL | 03/14/25 12:44 PM EDT

Muni Market Crosscurrents: Balancing Risks and Opportunities in 2025

With the new year nearly a quarter finished, a variety of trends and themes have already started to make themselves known. For the normally sleepy municipal bond sector, these trends have created a pretty volatile and difficult environment to navigate. Tailwinds and headwinds have churned the seas of the normally calm waters of state and local government credit. There are crosswinds for sure.

For investors with big positions in muni bond holdings, reducing these stormy seas is paramount.

Luckily, there are ways to navigate these crosswinds and potentially finish the year with some gains, all while collecting income. With these strategies in mind, munis can go back to being a boring, income generator for a portfolio.

Continue reading.

dividend.com

by Aaron Levitt

Mar 17, 2025

Investors Rush to Buy Near-Junk College Bonds Even as Risks Grow.

- **Investors 'treading carefully' as private colleges struggle**
  Schools face demographic cliff, choking economic conditions

Investors are snapping up bonds sold by colleges with near-junk credit ratings in a push for higher-yielding assets — even as concerns linger about the challenges facing small, private institutions.

When Emerson College in Boston sold $88 million of debt in early January, the BBB+ rated deal received more than $900 million in orders from 26 different investors. And BBB- debt sold by Houston Christian University last month has climbed in the secondary market, indicating strong demand. Bonds due in 2054 traded in late February at an average spread of 98 basis points above top-rated debt, much lower than the 148 basis points spread the bonds initially priced at earlier that month.

That demand comes as riskier municipal bonds have outperformed the broader state and local bond market this year, according to Bloomberg index data. But buyers say they have to pick and choose with hypervigilance given that the institutions are confronting a demographic cliff from a smaller pool of would-be students and choking economic conditions that have pushed many to the brink.

Continue reading.

Bloomberg Politics

By Elizabeth Rembert

March 5, 2025

Risk-Off Tone Helps Muni Market See Best February Since 2020.

- **Returns in February were about 1% as issuance soared**
- **Investors are seeking less risky assets amid uncertainty**

The muni market notched an unusually strong month in February — but the asset class is facing headwinds as new bond sales build.

The state- and local-government debt market gained about 1% last month, marking the best February for performance since 2020 and the second-largest gain for the period in the past decade, according to data compiled by Bloomberg. On average, over the last 10 years, the muni market has posted a monthly drop of 0.27% during the second month of the year.

Jeffery Timlin, managing partner at Sage Advisory Services, said February's returns were driven by the gain in US Treasuries last month. Uncertainty over the impacts of rapid federal policy changes has led investors to buy higher-quality assets, he said.

Continue reading.

Bloomberg Markets

By Erin Hudson

March 3, 2025

The Muni Bond Boom: Why Active Management Is Key to Success

Thanks to a hefty amount of tax uncertainty, historically high yields and overall strong fiscal health, municipal bonds have continued to be a top draw for many investors across different tax brackets. Fund flows into muni ETFs have continued to rise, and more recently, the number of active ETF offerings in the space has jumped. More than half of all the active ETFs in the space have launched within the last two years.

And it turns out, that might be a great thing for investors.

According to asset manager AllianceBernstein, being active in the muni sector is better than simply following an index. Historically, outperformance has been on the active investor's side. And there are three reasons why.

Continue reading.

dividend.com

by Aaron Levitt

Mar 10, 2025

With Muni Bonds, the Getting Is Good.

Amid a volatile stretch for equities, muni bonds and related ETFs could garner renewed attention as shelters from the risk asset storm.

Just look at the ALPS Intermediate Municipal Bond ETF (MNBD B+), which is higher by almost 1%

year to date. No, municipal bonds will not outperform stocks over the long haul. But munis or ETFs such as MNBD could be sound ideas for investors looking to balance equity-heavy portfolios while bringing volatility-reducing, income-generating assets into the fold.

And while munis aren't known for thrills, that trait could be alluring in the current market climate. That's particularly so when coupled with MNBD's status as an actively managed ETF. That could enable the fund's managers capitalize on credit and duration opportunities.

Continue reading.

etfdb.com

by Todd Shriber

Mar 07, 2025

Vanguard Plans Two More Muni ETFs as Competition Heats Up.

- **Issuers' new muni ETF offerings set a record in 2024**
- **Vanguard, BlackRock have the two dominant funds in the class**

Vanguard Group Inc. is planning to launch two new municipal-bond exchange-traded fund offerings after tripling its lineup of products catering to state and local-government debt investors last year.

The Vanguard New York Tax-Exempt Bond ETF, which is expected to trade under the ticker MUNY, will focus on investment-grade New York debt. The fund will appeal to residents of the high-tax state of New York who are drawn to the tax-free interest paid by municipalities there. The investing giant also filed to register the Vanguard Long-Term Tax-Exempt Bond ETF, or VTEL, which will provide exposure to longer duration municipal bonds.

While muni-tied products make up just $146 billion in assets, a sliver of the more than $10 trillion US ETF market, issuers are competing to offer new products in a bid to draw in investors in an increasingly competitive space. Wall Street money managers launched over two dozen new muni ETFs in 2024, a record.

The Malvern, Pennsylvania-based company is vying for leadership in the space with BlackRock Inc. The $36.5 billion Vanguard Tax-Exempt Bond ETF and BlackRock's $40.6 billion iShares National Muni Bond ETF (MUB) dominate market share.

Currently, no other muni ETF products have more than $10 billion in assets, but that hasn't stopped other issuers from throwing their hat in the ring. Nuveen launched two actively managed muni ETFs in January.

Still, the low-cost, easy-to trade products continue to draw investors. Muni ETFs have seen inflows in each of the past 12 months, including $2.1 billion in February, Bloomberg Intelligence data show. The influx also comes as muni-bond yields stay relatively elevated, making the asset class more attractive compared to years of low interest rates.

Vanguard's two new passively-run funds are expected to have an expense ratio of 0.09%, or 90 cents per $1,000 of average net assets.

"MUNY is specifically designed for tax-sensitive residents of New York while VTEL serves investors looking for exposure to longer duration municipal bonds, low fees, tax-efficiency, and trading flexibility," Vanguard spokesperson Jessica Schifalacqua said in an emailed statement.

Bloomberg Markets

By Amanda Albright

March 6, 2025

[Vanguard Plans Two More Muni ETFs as Competition Heats Up.]

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Continue reading.

Bloomberg Markets

By Amanda Albright

March 6, 2025

[US State Credit Quality Declines on 'Destabilizing' Trump Orders.]

- **MMA revised down its outlook for states, state housing finance**
- **Cuts to federal funding, staffing poised to challenge states**

The "rapid and chaotic activity" of the Trump administration is undermining the credit quality of US states, according to a new report from Municipal Market Analytics.

MMA has lowered its state-sector outlook to neutral from positive, citing a bevy of White House executive orders and policies that have broad implications for federal funding and staffing. States rely on assistance from Washington for numerous programs including supporting public education and healthcare.

The uncertainty created by real or threatened changes in federal funding raises the likelihood that states will tap their reserves and may cut or pause projects. That may reduce state aid to local governments, colleges or hospitals, the research firm said. States do have an "exceptional" levels of reserves, according to MMA.

"The destabilizing actions of the federal government are a challenge to state credit quality," Matt Fabian and Lisa Washburn of MMA wrote in the report. "State governments receive about one-third of their funding from the federal government and rely on such to provide essential services to their constituents."

MMA lowered its outlook for state housing finance agencies, also pointing to cuts to federal funding and staffing as increasing the risk of a negative action on the US government's bond ratings. It also highlighted the looming threat that the administration could eliminate the muni market's tax-exemption entirely, or in part.

"States are also incurring increased costs from these actions in terms of distraction from normal government activities, increased costs for advisors and consultants to evaluate alternatives, and litigation costs related to challenging the federal government's actions," the researchers said.

Bloomberg Markets

By Erin Hudson

February 25, 2025

S&P: U.S. Local Government Credit Quality Could Wobble As Federal Policy Shifts

Key Takeaways

- Sudden changes to or uncertainty about the direction of federal policy could lead to credit instability for some local governments.
- Weakening economic performance or the loss of municipal tax exemption through the renegotiation of the Tax Cuts and Jobs Act would negatively affect all local governments.
- The effects of other policy changes, such as those pertaining to immigration and tariffs, would likely be experienced more regionally or locally.
- State and local governments have experience absorbing short-term revenue disruptions or expenditure requirements, but significant federal policy changes could have lasting effects that require management teams to proactively address their operating budgets.

Continue reading.

[Free Registration Required.]

27 Feb, 2025

NYT: In the Trump Era, Crafting a State Budget Becomes More Complicated

With funding from Washington uncertain, New Jersey, like other states, is budgeting cautiously.

Gov. Philip D. Murphy of New Jersey proposed a $58 billion budget on Tuesday that would keep spending roughly flat as the state braces for potentially drastic reductions in federal funding, including Medicaid.

State officials acknowledged that drafting the final budget of Mr. Murphy's second term had proved challenging amid uncertainty in Washington, where Republicans are considering deep cuts in spending on health care for low-income people to help pay for $4.5 trillion in tax cuts.

New Jersey estimates it could lose as much as $5.2 billion in Medicaid matching funds that help provide health coverage to roughly 700,000 residents.

Continue reading.

The New York Times

By Tracey Tully

Feb. 25, 2025

Not Even Municipal Bonds are Safe from Climate.

The nation's municipal bond market is waking up to the accelerating risks of climate change, a sign of potential economic instability for a $4 trillion market long seen as a safe investment for ordinary people.

S&P Global downgraded the credit rating of the Los Angeles Department of Water and Power last month as devastating wildfires spread across the city, writes Thomas Frank.

The financial ratings company cited "the increasing frequency and severity" of wildfires as its reason for the downgrade. Then S&P announced last week that it would begin assessing the threat of wildfires on the creditworthiness of all bond sellers in California.

That's a big deal.

Ratings firms have previously penalized major municipal bond issuers in areas struck by disasters based on property damage, the cost of rebuilding and the potential loss of tax revenue.

But this may be the first time the decision was tied to future climate risks. Experts say the municipal market has long ignored the potential for a disaster to wipe out a city's property tax base and force a bond default.

"It is a tipping point in the marketplace," Thomas Doe of Municipal Market Analytics told Tom.

The Trump factor

President Donald Trump's efforts to gut the federal government may also be forcing the municipal bond market to wake up to the realities of climate change.

After natural disasters, the price of bonds tends to drop. Then the nation's disaster response apparatus hits the scene, provides technical and financial support for rebuilding, and "everybody's made whole, and the world goes on," Doe said.

But Trump has threatened to [dismantle the Federal Emergency Management Agency](), which would put states solely in charge of disaster recovery.

Without federal disaster money as a backstop, investors might look more closely at climate risks — and state and local governments may be compelled to undertake their own climate adaptation with projects to reduce their exposure to disaster damage.

"In a backhanded way, [Trump's] policies are going to end up generating a wave of adaptation investment," Doe said.

POLITICO.COM

By ARIANNA SKIBELL 02/25/2025 06:00 PM EST

$4T Municipal Bond Market Wakes Up to Climate Risk. (With Help from Trump.)

The bonds are considered a safe investment. The Los Angeles wildfires sparked concern that climate change is making them risky.

As wildfire tore through Los Angeles in January, a financial ratings company made a decision that could mark a crucial shift in how a trillion-dollar market assesses climate risk.

S&P Global Ratings downgraded the credit rating of the Los Angeles water and power utility, citing "the increasing frequency and severity" of wildfires and signaling a potential awakening of the nation's $4 trillion dollar municipal bond market to climate risk.

Short-term trouble followed the Jan. 14 downgrade of the nation's largest municipal utility. The bond values fell, default risk rose and some bondholders sold at a loss. If the utility issues new bonds soon, it will have to pay higher interest rates to compensate buyers for the heightened risk.

Continue reading.

politico.com

By Thomas Frank | 02/25/2025 06:19 AM EST

The Bond Buyer Releases its 2025 Predictions Report: What to Expect in the Year Ahead

Stakeholders see tax policy changes as the most significant challenge, with healthcare, higher education and affordable housing among the most-challenged sectors.

NEW YORK, Feb. 25, 2025 /PRNewswire/ — The Bond Buyer, Arizent's essential resource serving the municipal finance industry, publishes its latest research, 2025 Predictions: What to Expect in the Year Ahead, which provides a deep dive into the macroeconomic outlook for munis, the impact of policy and regulatory uncertainty, the state of technology adoption and more. Sponsored by Build America Mutual, the findings reveal industry leaders see tax policy changes as the most significant challenge in the coming year, with healthcare, higher education and affordable housing among the most-challenged sectors.

The report, based on a survey of municipal finance professionals, also highlights a growing consensus that municipal bond volume must expand significantly to address the country's escalating infrastructure needs. However, questions remain on whether funding will keep up with demand.

Key takeaways from the report include:

- Market outlook: 62% of respondents expect a favorable municipal finance climate in 2025, though concerns about inflation and policy volatility temper enthusiasm.
- Legislative priorities: Preserving tax exemptions on municipal securities and restoring tax-exempt advance refundings rank as the industry's top policy goals.
- Climate risk and disclosure: 67% of respondents believe climate and extreme weather events should be explicitly addressed in municipal credit disclosures.
- Technology's growing role: Nearly all respondents (96%) expect electronic trading, AI and machine learning to become increasingly integrated into muni markets over the next decade.

"Technology is finally occupying significant space in the minds of these professionals," says Janet King, VP of Research at Arizent. "The municipal bond industry has been notoriously slow to adopt new tech, even as advancements in data management, business intelligence and AI tools have transformed other industries. It feels like only a matter of time before innovation has a significant impact here. That expectation can be seen in the 62% of respondents who believe their organization's tech spending will increase in 2025."

For more insights and predictions — including expectations for bond volume and credit conditions, buy- and sell-side perspectives on resilient infrastructure and the outlook on policy and regulation — download the full report here: https://www.bondbuyer.com/research-report/charting-muni-fina-ce-progress-through-uncertainty

Research Methodology

This research was conducted by The Bond Buyer (an Arizent brand) to gain insights from municipal bond sector stakeholders about issues expected to affect their business and the industry at large in 2025. A total of 103 qualified respondents at firms in the municipal bond community answered the survey.

About The Bond Buyer

Since 1891, The Bond Buyer has empowered issuers, investors and other municipal finance professionals to navigate the complexities of policy, regulation, market activity, infrastructure and more. Across its journalism, events, research and benchmarking, The Bond Buyer provides insight into the most relevant topics — from public-private partnerships to innovative deal structures. As the only independent resource serving the complete municipal finance community, The Bond Buyer's authoritative content connects leaders online, in person and in print every day.

About Arizent

Arizent is a business information company that advances professional communities by providing insights and analysis and convening industry leaders. The company uses deep industry expertise and a data-driven platform to deliver its services, which include subscriptions, marketing services, live events and access to Leaders, an executive forum. Arizent also connects business communities through leading financial services brands like American Banker, The Bond Buyer, Financial Planning and National Mortgage News, as well as professional services brands like Accounting Today, Employee Benefit News and Digital Insurance.

About Build America Mutual

BAM Mutual is the only bond insurer that solely guarantees timely payment of interest and principal on U.S. municipal bonds, and has insured more than $150 billion of financing for essential public projects for more than 6,000 issuers. BAM is rated AA/Stable by S&P Global Ratings.

S&P U.S. Municipal Sustainable Bond Outlook 2025: Sustainable Bonds Expected To Trail Conventional Market, Report Says

NEW YORK (S&P Global Ratings) Feb. 26, 2025—S&P Global Ratings projects that U.S. municipal sustainable bond issuance will follow the broader municipal market, according to a new report titled "U.S. Municipal Sustainable Bond Outlook 2025: Sustainable Bonds Expected To Trail Conventional Market," published Feb. 26, 2025, on RatingsDirect.

Potential changes to tax-exemption status for municipal bonds could slow the market as a whole, as could changes in policy and sentiment.

"Green energy and transportation will continue to propel the market as certain states enact their mandates for renewable power supply and associated capital needs, supporting momentum in green bond financing," said S&P Global Ratings credit analyst Kaiti Vartholomaios.

We expect large repeat issuers to continue to embrace sustainable bonds and drive the market.

This report does not constitute a rating action.

The report is available to RatingsDirect subscribers at www.capitaliq.com. If you are not a RatingsDirect subscriber, you may purchase a copy of the report by sending an e-mail to research_request@spglobal.com. Ratings information can also be found on S&P Global Ratings' public website by using the Ratings search box at www.spglobal.com/ratings.

Carnegie: How the Federal Financing Bank Could Strengthen Clean Energy Supply Chains

The need to deploy public funds for clean energy is clear. But how could the government do it? The Federal Financing Bank could be the answer.

Since my time at the Treasury Department, I have been intrigued by the possibility of repurposing and reimagining various financing mechanisms that currently live at the department in service to the need to finance clean energy supply chains.

I wouldn’t characterize these mechanisms as ready to be deployed by any stretch, but I think they are worth uncovering and then understanding.

One such mechanism is the Federal Financing Bank (FFB), which was created by Congress in 1973. This so-called bank sits inside the Treasury Department and is administered by Treasury career staff—there are maybe four full time people at most running this bank. They have a management structure like any bank, but with a governance structure that consists of the undersecretary for domestic affairs, the assistant secretary for financial markets, and the deputy assistant secretary for public finance. It’s not a bank as we think of banks, but rather a financing vehicle that facilitates borrowing by the various federal agencies so as to limit the stress that federal borrowings might otherwise press on private financial markets.

The Federal Financing Bank borrows from the Treasury and uses these funds to make loans to federal agencies that are tasked by Congress to executing program. Because the FFB can borrow cheaply, it can pass this low-cost funding onto federal agencies that are implementing particular programs. In other words, the federal programs that the FFB are funding are getting funds from the Treasury rather than from private markets; and because this funding is cheaper, there are savings to taxpayers.

The portfolio of the FFB for fiscal year 2024 is currently sized at approximately $185 billion. The breakdown of the loans spans entities like the Rural Utilities Service, HUD’s Risk Share Program, and the DOE Loan Programs Office. The details of these loan facilities need examination, but the point is that there is an entity already stood up by Congress inside the Treasury that can potentially serve as an adjunct credit facilitator to clean energy supply chain federal projects. The funding is internal, and so the FFB mechanism has the potential to bring down the cost of financing these projects.

More exploration has to be considered here—for example, what federal programs exist whose cost could be reduced by virtue of this mechanism? And what federal programs could be created that relate to clean supply chains that could use a financing facilitator? Is the mandate for the Federal Financial Bank broad enough to contemplate its use in other ways, while staying consistent with the Congressional intent that created it? What other financial plumbing mechanisms exist at the Treasury and even elsewhere—like the Department of Agriculture—that can be deployed to bring down the cost of creating clean supply channels? Does the Exchange Stabilization Fund have relevance to the financing of clean supply channels?

In working on this Carnegie taskforce, we’ve reminded each other of why the United States should strengthen clean energy supply chains, both at home and abroad, and explored the best measures for doing so. But we can’t forget the how: when the political will is there, policymakers will need to know how to best provide the finance to the clean energy projects that will secure U.S. prosperity and security in the future.

carnegieendowment.org

by Sarah Bloom Raskin

Published on February 26, 2025

Snapshot of the Municipal Bond Landscape.

Drew O'Neil discusses fixed income market conditions and offers insight for bond investors.

The overall size of the municipal bond market is over $4 trillion. While this a very large market, an investor's personal situation combined with the nuances of the municipal bond market can sometimes make it feel much smaller. Investor preferences such as coupon, maturity, call structure, and issuing state can shrink the available investment options considerably. There can be a benefit for investors living in states with high income taxes to purchase municipal issues from their own state, which in most situations avoids state, in addition to federal, taxes. Still, there are many situations where an investor might be better served looking for opportunities nationwide rather than isolating themselves to their home state.

Continue reading.

advisorperspectives.com

by Drew O'Neil of Raymond James, 2/27/25

The Municipal Market in 2025, Hilltop's Sector Credit Outlooks.

- The Golden Age of Public Finance is now over.
- A temporary upswing in municipal bond credit quality began in 2021 boosted by Federal fiscal policy. Four years later, municipal credit is now returning to normal levels.
- A more positive macro-economic backdrop exists to begin 2025 compared to last year.

Continue reading.

by HilltopSecurities

February 25, 2025

Financial Crisis Looming for Many U.S. Cities.

Five years after the start of the COVID-19 pandemic, many U.S. cities are still adjusting to a new normal, with more people working remotely and less economic activity in city centers. Other factors, such as underfunded pension plans for municipal employees, are pushing many city budgets into the red.

Urban fiscal struggles are not new, but historically they have mainly affected U.S. cities that are small, poor or saddled with incompetent managers. Today, however, even large cities, including Chicago, Houston and San Francisco, are under serious financial stress.

This is a looming nationwide threat, driven by factors that include climate change, declining downtown activity, loss of federal funds and large pension and retirement commitments.

Continue reading.

finance-commerce.com

John Rennie Short, University of Maryland, Baltimore County

February 20, 2025

State and Local Finance Officers Struggle With Funding Uncertainties.

A memo from the Office of Management and Budget freezing federal grants to states was canceled. But funds are still being kept back, and budget officers are looking for answers.

In Brief:

- A January memo from the Office of Management and Budget ordered a halt on disbursement of approved federal funds pending review from the Trump administration. The new president is intent on canceling federal programs that don't align with his vision, especially those related to diversity, equity and inclusion.
- The memo has since been rescinded, and two federal judges have ordered funds to be disbursed, but this hasn't resulted in a return to normal operation.
- Leaders from the Government Finance Officers Association talked to Governing about how these events are impacting their members.

Continue reading.

governing.com

Feb. 20, 2025 • Carl Smith

New Administration, New Budget Picture for State and Local Government?

Hundreds of technology partners focused on the public sector gathered outside Washington, D.C., for the annual Beyond the Beltway event, an industry-focused forecast of what 2025 looks like for state and local IT.

WASHINGTON, D.C. — The new administration took over last month, ushering in several significant policy changes affecting the federal workforce, the U.S.'s approach to artificial intelligence, energy policy and much more. President Trump's second term also begins as the end is nearing for generational investments that sent billions to state and local governments, namely the Inflation Reduction Act and the Infrastructure Investment and Jobs Act.

At e.Republic's* annual Beyond the Beltway event, technology firms that do business with government convened to hear how these large-scale changes will impact innovation in states and localities in 2025.

State chief information officers on hand described budget conditions that haven't changed a lot yet, but there are signs that belt tightening is on the way. Many talked about increased legislative scrutiny of IT budget requests, noting that the focus on finding efficiencies through technology is penetrating at the state level too.

Continue reading.

Trump Clawbacks of FEMA Aid Present Risk to Muni Bonds, MMA Says.

- **DHS pulled back $80 million in FEMA grants to New York City**
- **Mayor Adams office is working to recoup withheld FEMA funds**

Municipal bond investors are being advised to scale back positions in credits that receive significant sums of money from the US government, as President Donald Trump seeks to affect state and local policy by withholding federal funding.

"It seems likely that Trump and Elon Musk will continue to find ways to cut back on federal assistance to cities and states from whom they want a policy change," said Matt Fabian, a partner at Municipal Market Analytics. "Investors should be more careful with borrowers who have a deeper reliance on federal funding."

The warning comes after Department of Homeland Security Secretary Kristi L. Noem announced that DHS rescinded $80 million in funds approved by congress to help New York City shelter undocumented immigrants in hotels and other facilities. The DHS grant program, which is overseen by the Federal Emergency Management Agency, came under fire last week by Trump, who claimed the money was being used to purchase rooms in "luxury hotels."

New York City Mayor Eric Adams responded Wednesday to the funding revocation in a post on X. "Our office has already engaged with the White House about recouping these funds and we've requested an emergency meeting with FEMA to try and resolve the matter as quickly as possible," wrote Adams.

Thus far in President Trump's second term, his administration has threatened or implemented several policies that could have big impacts on the municipal bond market. The White House has been urging the General Services Administration, the government's real estate manager, to cut federal office space, which is pressuring some municipal bonds backed by payments from the US government.

"Federal money used to be an asset," Fabian said. "Now, it's a liability."

Bloomberg Markets

By Maxwell Adler

February 18, 2025

Corporate and Municipal CUSIP Request Volumes Decline in January.

NORWALK, Conn., Feb. 21, 2025 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for January 2025. 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 decrease in request volume for new corporate and municipal identifiers.

North American corporate CUSIP requests totaled 4,505 in January, which is down 36.9% on a monthly basis. On an annualized basis, North American corporate requests were down 24.2% over January 2024 totals. The monthly decrease in volume was driven by a 32.6% decline in request volume for U.S. corporate debt identifiers. Request volumes for short-term certificates of deposit (-27.1%) and longer-term certificates of deposit (-14.8%) also fell in January.

The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – fell 14.1% versus December totals. On a year-over-year basis, overall municipal volumes were up 1.8%. Texas led state-level municipal request volume with a total of 78 new CUSIP requests in January, followed by California and New York, each of which had 59 new municipal CUSIP requests in the first month of the year.

Continue reading.

S&P U.S. Public Finance Rating Activity Brief: January 2025

In this report we present rating actions at the debt type level (e.g., general obligation, sales tax, parking revenue, etc.) rather than at the issuer level. Therefore, an issuer may have multiple rating actions associated with it in different sectors in the tables and charts. Because we present the rating actions at the debt level, the metrics presented may not be comparable to other research published by S&P Global Ratings or by other S&P Global divisions.)

Key Takeaways

- There were more than 210 rating actions in U.S. public finance (USPF) through Jan. 31, 2025.
- Overall, upgrades outpaced downgrades in the local governments and transportation sectors.
- Downgrades outpaced upgrades in the charter schools, education, public power, health care, utilities, and not-for-profit sectors.
- Through the end of 2024, unfavorable outlook revisions exceeded favorable outlook revisions.

Continue reading.

21 Feb, 2025

Who Should Pay to Fix the Sidewalk?

Denver has made sidewalk upkeep a public responsibility, becoming the largest US municipality to fund and maintain this critical but unsung pedestrian infrastructure.

Denver's Colorado Boulevard is a major artery and an important transit corridor; local leaders are considering expanding bus service by adding a Bus Rapid Transit line along its length. But getting to or from a stop often requires trudging along unpaved paths that run between patches of crumbling concrete and then standing in the dirt waiting for the next bus.

The reason: Like a lot of US cities, Denver has a dearth of decent sidewalks. According to an analysis last year, the city is missing 300 miles of pedestrian pathways; of the 2,300 miles that do exist, around 30% are too narrow and an unknown proportion are in disrepair, making them treacherous to negotiate.

Sidewalks are the unsung but essential infrastructure of millions of mundane daily journeys. But they tend to be chronically neglected — especially in neighborhoods whose residents rely on them most.

Continue reading.

Bloomberg CityLab

By David Zipper

February 20, 2025

CityLab's Most Popular Stories This Week.

Get Caught Up

Trump Targets $128 Billion California High-Speed Rail Project

The Trump administration has launched a review of California's high-speed rail project, adding to long-standing doubts about whether the venture, plagued by cost overruns and delays, will ever be completed.

After months of protests, the city stepped in to buy an apartment block where tenants faced eviction. But anger over high rents and real estate speculation continues.

Continue reading.

By Bloomberg News

February 23, 2025

Fitch Ratings Updates U.S. Public Power Rating Criteria.

Fitch Ratings-Austin/New York-24 February 2025: Fitch Ratings has updated its criteria for rating U.S. public power and electric cooperative entities. The criteria updates and replaces the criteria from March 2024.

Notable revisions include:

–Updated operating cost burden thresholds to adjust for rates of inflation, and to ensure accurate comparative evaluation. Periodic updates to the thresholds to recognize changes in sector-wide costs are likely to continue going forward.

–Inclusion of language clarifying when capital planning and management may be more influential in the assessment of operating risk than operating cost burden.

–Expanded language noting that a neutral liquidity cushion may require more than 30 days cash on hand and more than 90 days of total liquidity, vis-à-vis certain risks.

–Confirmation that when factors suggest that an entity's financial profile may be higher or lower from what the Rating Positioning Table indicates, alternative operating, financial and liquidity metrics, along with attribute assessments, may be considered in determining the financial profile assessment and rating.

–Inclusion of secondary coverage metrics that may used as additional guidance when assessing the credit quality and financial profile of entities where debt balances and leverage metrics are, or are expected to be, temporarily distorted, including as a result of an entity's capex profile and its position within the capital life cycle.

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

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

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Additional information is available on www.fitchratings.com

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

Fitch Ratings-New York/Austin-24 February 2025: Fitch Ratings has revised its criteria for U.S. water and sewer utilities, updating and replacing the criteria from February 2024. The updated criteria report describes Fitch's methodology for assigning new ratings and monitoring existing ratings for U.S. municipal and not-for-profit water and sewer utilities (including wastewater and stormwater). Notable revisions that Fitch has made include:

–Confirmation that nonrecourse debt, or instances in which collection and repayment risk have effectively been transferred to a third party, and nonpayment would not result in a cross default or cross acceleration to an issuer's other outstanding debt, may be excluded from the calculation of debt metrics and leverage for analytical purposes;

–Confirmation that Fitch may consider funds retained for capital projects in its calculation of leverage;

–Clarification that the asymmetric risk related to customer concentration is specific to retail customers;

–When purchasers have utility-based operations, Fitch may consider the purchasers' general obligation credit quality when assessing wholesaler's purchaser credit quality.

As key elements in the updated criteria remain consistent with prior reports, no changes have been made to outstanding ratings and no credits are under criteria observation.

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

[Ohio, Vermont Showcase Successful Municipal Network Financing.]

- **Financing municipal broadband networks is no cakewalk, with opposition from incumbents and interest groups adding to the difficulties**
- **But community leaders in Ohio and Vermont say they've succeeded in running financially stable networks**
- **Hiring the right expertise is key if municipalities want to maximize their chances at success getting financing. Like most internet service providers, municipalities face their fair share of challenges when building broadband networks. Particularly, they need to convince financiers that it's a worthwhile investment.**

Constant opposition from incumbents and lobbying groups doesn't help matters. A recent study from ITIF claimed public broadband networks have "poor financing models," noting most of the municipalities it analyzed earned less than their operating costs.

Continue reading.

fierce-network.com

By Masha Abarinova

Feb 21, 2025

Assessing the Impact of the LA Fires on Muni Bonds.

Margot Kleinman, director of research for municipals at Nuveen, sits down with InvestmentNews anchor Gregg Greenberg to explain the benefits of municipal bonds for high-net-worth investors, as well as the impact of the California fires on the municipals market.

Watch video.

investmentnews.com

Feb 19, 2025

California’s Wildfires & Muni Bonds: Crisis or Opportunity

If California were its own country, it would be one of the largest in population and GDP size. It’s also one of the largest issuers of municipal bonds. So, when anything potentially impacts its population, economic status, tax collection, or otherwise, muni investors take notice. And right now, they are taking notice in a big way.

The impact of the recent wildfires in several key California cities and regions is just starting to be known.

For current and would-be investors in the muni space, the question remains: what exactly will come from California bonds, and if the wildfire-insured volatility be an opportunity to bet big on the state’s reliance and its credits?

Continue reading.

dividend.com

by Aaron Levitt

Feb 18, 2025

Bringing Order to Chaos: AI in the Municipal Bond Market

Advisor Perspectives welcomes guest contributions. The views presented here do not necessarily represent those of Advisor Perspectives.

By some estimates, there are over one million fixed-income securities issued by U.S. state and local governments to fund projects like schools, highways, and utilities. Each of these securities has unique tax treatment, credit ratings, and yield structures. They primarily trade in an “over-th--counter (OTC) ” market with transactions occurring directly between parties rather than on centralized exchanges.

This decentralized structure leads to less frequent trading, as many investors adopt a “buy and hold” strategy, resulting in few daily trades. Some bonds are even less liquid, trading only by appointment. This means they don’t trade continuously like stocks. Instead, trades occur when a buyer and a seller agree on a price, which can happen sporadically. Because they trade OTC, pricing is determined through negotiation rather than a centralized exchange.

Each municipal bond has unique characteristics – issuers, maturities, credit ratings, and potential tax treatments – making price discovery more challenging than for liquid, standardized securities like Treasuries. Unlike corporate bonds, municipal issuers follow different accounting standards, making financial comparisons difficult. Legal protections for bondholders vary by state, and political factors like pension liabilities and tax policies impact creditworthiness. This structure has historically led to wide bid-ask spreads, meaning the difference between what buyers pay and what sellers want can be larger. Most municipal bond trades require an intermediary, such as a broker, to facilitate transactions. Investors looking to buy or sell municipal bonds must often work with brokers, and buy on the offer, rather than executing trades instantly.

Continue reading.

advisorperspectives.com

by John Sweeney, 2/24/25

Breaking Tradition: Vanguard's Bold Bet on Active Fixed-Income ETFs

For many investors, indexing and Vanguard go hand-in-hand. After all, the asset manager pioneered the concept of tracking a stock market index and was one of the first firms to embrace ETFs as part of its line-up. It even has its own indexing fanbase, known as "Bogleheads", named after its founder John Bogle. So, when Vanguard takes an active approach to managing a fund, it's kind of a big deal.

When it launches several new active funds? Investors need to take notice.

And that's just what has been happening. Vanguard continues to launch a variety of new active ETFs covering the fixed-income space, with four new funds launched over the last few months. For investors, these launches underscore how powerful active ETFs and active management can be in the bond space.

Continue reading.

dividend.com

by Aaron Levitt

Feb 21, 2025

WSJ: Municipal Bonds Markets Fear Trump Tax Cuts Could Clip Momentum

The tax debate comes as the munis landscape looks bright

The Trump administration's efforts to cut taxes are threatening to upend the U.S. $4 trillion municipal bond market.

The potential change comes as local governments are increasingly relying on munis to finance public works. Municipal bonds issuance is growing, after a post-pandemic lull. Investors, in turn, have sought the low-risk securities to buffer their fixed-income portfolios while reducing their tax load.

"We truly benefit from a strong and sort of voracious market wanting to invest in safe, liquid and nearly riskless assets," said Emily Brock, a lobbyist for the Government Finance Officers Association, a national organization of state and municipal finance officials.

The momentum in munis could now wane, as lawmakers look for ways to increase federal revenues and offset wide tax cuts proposed by President Trump. Tax exemptions that for generations have made municipal bonds attractive could be eliminated, pushing investors to demand higher payouts to finance infrastructure including schools, sewage systems, roads, airports and more.

“Far and away, the biggest risk [for munis] is a change in the tax system this year,” said Matt Fabian, partner at research firm Municipal Market Analytics.

The tax debate comes as the munis landscape looks bright. Local budgets are healthy after states and municipalities used part of Covid-related federal transfers to beef-up their rainy day funds, while volatile markets bolster demand from investors for this type of low-risk assets.

“We are very comfortable right now that the municipal bond market is starting [2025] from a position of strength,” said Matthew Norton, chief investment officer of municipal bonds at AllianceBernstein. Norton said AB research shows that munis finance around 75% of the U.S.’s infrastructure.

Municipal bonds typically offer lower yields than other fixed-income options, including Treasurys. The ICE US Municipal Securities Index effective yield was 3.4% on Feb. 13, compared to 4.5% on the ICE BofA U.S. Treasury Index.

It is the tax advantage that makes them attractive, particularly to high-income individuals and institutional investors.

The Securities Industry and Financial Markets Association estimates there were $4.2 trillion outstanding munis in the third quarter of 2024, 3% more than a year earlier. According to SIFMA, $36.3 billion in munis were issued last month, the highest January issuance in records going back to 1980.

Using SIFMA data, the National Association of Bond Lawyers estimates that the vast majority, or around $3.5 trillion of outstanding munis, are tax-exempt.

The concerns about exemptions stem from discussions regarding the Tax Cuts and Jobs Act approved in 2017 with Republican support. Some cuts expire by year end and are widely expected to be extended or even deepened. But given the growing federal budget deficit, lawmakers face pressure to find alternative revenue sources.

Nixing tax exemptions on interest earned by municipal bondholders has been mentioned by the House Ways and Means Committee as a way to save $250 billion over 10 years. Local authorities are trying to dissuade lawmakers from doing so, arguing it would do more harm than good.

“There is a good chance, maybe 50% chance, that the Republicans remove the tax exemption entirely…to pay for extension of the TCJA,” Fabian said, referring to the 2017 Tax Cuts and Jobs Act.

The critical role munis play in reducing local governments’ reliance on federal handouts, however, makes some investors believe that the tax exemptions will survive.

Dan Close, head of municipals at Nuveen, said he is monitoring developments in Washington. “We are always concerned every time there is discussion about tax exemptions,” he said. But Close is confident that incentives will survive. He expects issuance to be around $500 billion this year —about the same as in 2024— with returns also unchanged. He isn’t changing strategy or holding cash.

The Wall Street Journal

By Paulo Trevisani

Feb. 14, 2025

Write to Paulo Trevisani at paulo.trevisani@wsj.com

Fitch: U.S. Economic Growth to Slow with Evolving Risk Environment

Fitch Ratings-New York-11 February 2025: Resilient consumer spending momentum supports U.S. economic growth, although growth will decelerate in 2025 due to the effects of higher U.S. import tariffs and slower investment and government spending growth. The risk environment continues to evolve with shifts in key federal policy, according to Fitch Ratings in the 1Q25 U.S. Credit Brief. Ratings with Negative Outlooks exceed those with Positive Outlooks, largely driven by sub-investment-grade ratings on Negative Outlook.

Continue reading.

DOGE Effect Stings Muni Bonds Backed by Federal Lease Payments.

Elon Musk's aggressive push to cancel federal leases is pressuring some municipal bonds backed by payments from the US government.

The White House has urged the General Services Administration, the government's real estate manager, to cut federal office space. The efforts are part of the crusade by President Donald Trump and Musk to lower spending, creating turmoil at federal agencies. Musk's Department of Government Efficiency has tweeted about some lease cancellations already.

There is a subsection of the $4 trillion state and local government debt market backed by federal lease payments. It's hard to tally how much debt is impacted, but investors have funded hundreds of millions of dollars of debt tied to buildings like NASA's DC headquarters and an office for the Social Security Administration in Baltimore.

The campaign to cut costs and reduce the US government's office footprint is already spurring some bonds tied to GSA leases to start to sell off, amid concerns that the contracts won't be renewed. Taxable debt sold in 2022 to refinance obligations for the US space agency headquarters traded on Wednesday at a roughly 26% yield, or about 55 cents on the dollar, according to trading data collected by Bloomberg. That is about 11 percentage points wider than where the bonds traded before November's presidential election.

"These leases are kind of a political football right now," said Nicholos Venditti, senior portfolio manager at Allspring Global Investments. "You've started to see price reaction to these news stories," he said.

The NASA bonds aren't the only securities to widen. Junk-rated taxable debt sold for the Social Security Administration's office in Birmingham, Alabama, have also sold off. Those bonds traded at a yield of 27% on Feb. 11, compared to about 16% in October, data compiled by Bloomberg show. The federal government's lease on the building expires in early 2028. And bonds sold for an FBI field office in San Diego have also dropped – the General Services Administration has a lease on the building until April 2033. Even debt sold for a veterans' affairs clinic changed hands at a lower price in February.

Still, some of the trades are smaller in size, making it harder to gauge how investors across the board are evaluating the credits. Some of the bonds had lower credit ratings to begin with, in the BBB or junk range, so they already traded at elevated yields.

The falling prices for some government-lease backed bonds illustrate how the Trump administration's push to cull spending is reverberating across the US. The public finance sector is already reeling from the myriad of executive orders, with colleges and universities bracing for a reduction in research funding, and state officials challenging a proposed halt in federal grants.

Moody's Ratings downgraded the NASA bonds to junk in March 2024, and on Monday cut the ratings again to B2, five levels below investment grade. The analysts said they see full lease renewal as less likely in 2028. The $275 million of principal is due in 2028, and it could be harder to refinance the debt given those uncertainties, according to Moody's. "The downgrade also reflects emerging uncertainties in the GSA's general leasing strategies more broadly," according to the rating firm's report.

There are longstanding concerns with the federal government's use of office space. Biden in early January signed legislation with provisions to reform the GSA and consolidate office space, according to a press release from Rep. Scott Perry, a Republican from Pennsylvania. The Government Accountability Office found in 2023 that federal offices were underutilized amid the rise of telework. Federal agencies spend about $2 billion a year to operate and maintain their office buildings regardless of how often they are used, the report said.

Arnold & Porter, a law firm, said in a report that there are limits on the GSA's ability to cancel leases. During what's known as the firm term of the lease, the government has limited cancellation rights, according to the report. The NASA building, financed with a $275 million bond sale in 2022, is still in its firm term of the lease until 2028, Moody's said.

The "Trump effect" is apparent in the trading of the federal lease-backed bonds, said Jason Appleson, head of municipals for PGIM. But even before his election, Appleson said there were concerns about the federal government's office space needs, and bond valuations were starting to reflect that.

In mid-November, NASA had said it was searching for a new headquarters facility in DC. The bonds dropped in December, but the decline has been steeper more recently with the DOGE cost-cutting.

The federal government's lease payments backing the bonds can be "generous," at above-market rates, Appleson said. "If you had to re-let the building, it's questionable what you could get and what the underlying real estate could be worth," he said.

The NASA headquarters lease is one of the largest GSA leases by rent and square footage, according to Moody's.

The fallout isn't just limited to muni bond debt. About $12 billion of loans tied to commercial mortgage bonds are also at risk, according to a Barclays Plc report last week.

Bloomberg Markets

By Amanda Albright and Danielle Moran

February 14, 2025

— With assistance from Immanual John Milton

Research Universities Face Credit Risk from NIH Funding Cut.

- **Policy change would reduce research funding for universities**
- **Federal judge temporarily blocked the Trump-directed cuts**

Proposed cuts by the Trump administration to a type of federal funding from the National Institutes of Health would pose a credit challenge to universities that receive the funds, analysts at JPMorgan Chase & Co. said.

The NIH has been ordered to slash funding for research at universities and hospitals, though on Monday a federal judge temporarily paused the change. A hearing date is scheduled for Feb. 21.

"The announcement is another demonstration of the new administration's focus on cost cutting, reinforcing our view that credits with significant direct exposure to the federal government warrant a higher degree of credit scrutiny," JPMorgan analysts led by Peter DeGroot wrote.

Some schools have warned about the cuts. Such a drop would lower the University of Pennsylvania's annual federal funding by about $240 million, interim president J. Larry Jameson said in a statement on Tuesday to the school community. Stanford said the change will create a reduction in NIH funding of approximately $160 million per year.

Still, most of the universities threatened by efforts to pare back government spending currently have high-grade credit ratings, according to Barclays Plc. strategists including Mikhail Foux and Bobby Zauner. The exception is the Icahn School of Medicine at Mount Sinai. The school has $411 million in outstanding municipal debt and is operating with thin margins and increasingly higher leverage due to new capital leases, according to Foux. It received $95 million in federal contracts during fiscal year 2023.

The school is rated Baa3 after being downgraded by Moody's Ratings from Baa1 in August.

"The school relies on the hospital for a sizable portion of patient care revenue and interim liquidity," Foux said. "In our view, possible government contract cancellations might have a negative effect on this credit."

Lucia Lee, a spokesperson for Mount Sinai, said the health system conducts lifesaving biomedical research. "These investments are important, and the indirect costs are real costs," she said in an emailed statement.

Bloomberg Industries

By Elizabeth Rembert

February 12, 2025

S&P U.S. Municipal Water & Sewer Utilities Rating Actions, Fourth-Quarter 2024

Overview

S&P Global Ratings took 59 rating actions, made 26 outlook revisions, and placed five ratings on CreditWatch within the U.S. municipal water and sewer utilities sector in fourth-quarter 2024. We also affirmed eighty-two ratings with no outlook revisions.

Continue reading.

10 Feb, 2025

A Fix for America's Infrastructure Paralysis

Mandatory processes and detailed rules have increasingly constrained officials' discretion, leading to endless lawsuits, decadeslong project delays and multibillion-dollar cost overruns. There's a better way.

In recent weeks, Elon Musk's Department of Government Efficiency (DOGE) has moved to eliminate the U.S. Agency for International Development, while President Trump prepared an executive order to wind down the U.S. Department of Education. It's the latest attempt to make government more efficient by eliminating things that it does. Merely shuttering departments, however, won't get to the heart of the problem DOGE seeks to correct: The American public sector, at any level of government, can't get things done in a time-effective and efficient manner.

A new Manhattan Institute report provides an antidote to this public malaise in the context of infrastructure. Its author, Philip K. Howard, offers a new governing vision that authorizes officials to weigh tradeoffs and make decisions for the public's benefit.

Decades ago, Democrats and Republicans both understood the need for a well-functioning, results-oriented government to provide public goods. On Nov. 15, 1933, Harry Hopkins, overseer of much of the New Deal, called governors and mayors to Washington to request that they submit proposals to get their residents working again. By Nov. 26, he had approved 920 projects just for Indiana and begun employing nearly 50,000 of its residents to repave streets, roads and airport runways. In the early 1940s, the 6.5 million-square-foot Pentagon was built in just 16 months.

Continue reading.

governing.com

OPINION | Feb. 14, 2025 • John Ketcham, Manhattan Institute

Muni Bonds Trailing Treasuries Turn Cheapest Since November.

Long-maturity municipal bonds are the cheapest since November relative to Treasuries as investors in the market for US state and local debt confront questions around tax policy and absorb swelling issuance.

Yields on 30-year, top-rated munis were about 85% of the level of similar-maturity Treasury rates as of Thursday, the highest since right after President Donald Trump's election victory in November, data compiled by Bloomberg show. A climbing ratio shows munis are underperforming US government debt.

Long-term muni supply is up 27% in February from a year earlier, to about $21 billion, data compiled by Bloomberg show. That's fed into the weakness, and some investors are starting to see value. State and local securities tend to offer lower yields than Treasuries because of the tax-free interest they pay.

Continue reading.

Bloomberg Markets

By Elizabeth Rembert and Shruti Singh

February 14, 2025

Sustainability Makes SMAs Tick: Bloomberg Masters of the Muniverse

Despite economic data once again signaling inflation is on the rise, the future of rate cuts becoming uncertain and an evolving fiscal policy landscape, there is much to be optimistic about within the muni market. On this month's Masters of the Muniverse podcast, hosts and Bloomberg Intelligence analysts Eric Kazatsky and Karen Altamirano talk to Tim Coffin, Director of Sustainability at Breckinridge Capital Advisors. We discuss the rise in separately managed accounts and how the demand for sustainable investing is unlikely to wane.

Listen to audio.

Feb 14, 2025

The Investor's Guide to Muni Bond Opportunities in 2025.

Municipal bond funds may be a compelling opportunity in 2025, as muni bonds are currently offering the highest yields in the past decade.

Fortunately, for investors, there are currently opportunities to be found in various segments of munis. This means that investors can target the level of interest rate risk they're comfortable taking on based on their personal investment outlook.

"Some opportunities are more present further out the curve. Some are more present on the shorter end," Elizah McLaughlin, portfolio manager at Fidelity Investments, said during VettaFi's Q1 2025 Fixed Income Symposium.

For investors looking to take on less interest rate volatility, Fidelity offers the Fidelity Limited Term Municipal Income Fund (FSTFX). FSTFX is one of the firm's shorter duration funds, McLaughlin said.

Next, the Fidelity Intermediate Municipal Income Fund (FLMTX) and the Fidelity Sustainable Intermediate Municipal Income Fund (FSIKX) each target the two to 20-year range of duration risk.

Finally, McLaughlin said the Fidelity Tax-Free Bond Fund (FTABX) focuses on three-plus-year durations.

Muni Bond Sectors Well Positioned in 2025

“There are a number of opportunities that we have been investing in lately,” McLaughlin said.

The hospital sector is one area that currently looks attractive. Fidelity has a strong research team with extensive experience in that sector, McLaughlin said. “They have been able to steer us into those names they think are going to perform well,” she added.

The airports segment is another area that continues to be priced relatively cheap.

“Those are typically solid credits, but they’re subject to AMT tax treatment,” McLaughlin said. “Many of you are aware that the 2017 Tax Cuts and Jobs Act has provisions that are scheduled to expire at the end of this year. Many of the provisions that are relating to the individual AMT will need to be renegotiated this year.”

This means that investors need to evaluate their current AMT risk and what makes sense for their individual risk profile.

Looking At Housing Bonds

Finally, housing bonds, including bonds issued to fund both multi-family and single-family projects, are an interesting opportunity in the current environment.

The sector underperformed quite a bit when the Fed was raising rates because people stopped prepaying their mortgages, McLaughlin said. “They liked those low rates on their mortgages. We saw the maturities of a lot of those bonds back up.”

However, that has started to reverse now, creating opportunity for experienced managers.

“This is an area where you have to be able to do prepayment modeling,” McLaughlin said. “It’s one that really kind of lends itself to professional management. But there is a lot of opportunity in that sector as well.”

etftrends.com

by Elle Caruso

February 14, 2025

For more news, information, and strategy, visit the ETF Investing Channel.

Muni Market is 'Moving Toward ETFs.' What Are the Risks and Yields?

‘I think you’re going to see more and more of the muni space moving toward ETFs,’ says Morgan Stanley’s Craig Brandon

Hello! For this week's ETF Wrap, Morgan Stanley and BlackRock provide some perspective on investing in the municipal-bond market.

Please send feedback and tips to christine.idzelis@marketwatch.com or isabel.wang@marketwatch.com. You can also follow me on X at @cidzelis and find me on LinkedIn. Isabel Wang is at @Isabelxwang.

[Continue reading.]

By Christine Idzelis

Provided by Dow Jones Feb 13, 2025 5:13pm

[BlackRock Bolsters Municipal Bond Suite with Launch of High Yield Muni ETF.]

Marks completion of the conversion of the BlackRock High Yield Municipal Fund into the iShares High Yield Muni Active ETF

NEW YORK–(BUSINESS WIRE)–Today, BlackRock announced the conversion of the BlackRock High Yield Municipal Fund into an active ETF, creating the iShares® High Yield Muni Active ETF (CBOE: HIMU). HIMU harnesses the expertise of BlackRock's Municipal Bond Group to provide more choice and flexibility to clients seeking high yield, tax-exempt solutions in the convenience of an ETF.

"Today's higher interest rate environment provides a generational opportunity to capture income, particularly in the municipal bond market," said **Pat Haskell, Head of the Municipal Bond Group at BlackRock**. "Through the ETF wrapper, HIMU aims to take advantage of the attractive yield levels and strong credit quality in municipal bonds, delivering alpha to our clients in an efficient and transparent manner."

The new ETF seeks to maintain identical investment objectives and fundamental investment policies as its predecessor mutual fund. HIMU aims to maximize federal tax-exempt current income and capital appreciation by investing in high yield municipal securities across a variety of sectors. The mutual fund was launched in 2006 and delivered top quartile performance over the one-, five-, ten- and fifteen-year periods as of December 31, 2024.1

[Continue reading.]

Distributed by Business Wire

10th February 2025

[BlackRock Converts High-Yield Muni Fund to ETF.]

BlackRock Inc. (BLK) announced Monday it is turning its High Yield Municipal Fund into an exchange-traded fund, the latest sign that major asset managers are embracing ETFs to give investors a more tax-friendly and flexible way to tap into the muni bond market.

The transition of the $1.5 billion fund into the iShares High Yield Muni Active ETF (HIMU) comes as BlackRock projects global active ETF assets will surge to $4 trillion by 2030 from $900 billion in June 2024, the company said in a statement announcing the conversion.

The shift underscores how ETFs are becoming a preferred structure for investors looking for greater trading flexibility and potential tax advantages compared to traditional mutual funds. By moving the fund into an ETF, BlackRock, the world's largest asset manager with more than $11 trillion in AUM, is giving investors a way to access high-yield municipal bonds while benefiting from lower costs and real-time market pricing.

Continue reading.

etftrends.com

by DJ Shaw

Feb 10, 2025

Reviewed by: Paul Curcio

Edited by: James Rubin

UBS Spotlight: Steady Growth for Municipal Bond ETFs.

Municipal bond ETFs have exhibited steady growth since their introduction in September 2007. The municipal ETF market now consists of 112 ETFs that combine for USD 141bn in assets. The number of issuers has expanded, and there are now 36 issuers of municipal bond ETFs.

At a glance

- Municipal bond ETFs have exhibited steady growth since their introduction in September 2007. The municipal ETF market now consists of 112 ETFs that combine for USD 141bn in assets.
- CIO suspects that the outperformance of the high yield municipal market last year was a major driver of the increased demand.
- The growing need for customization among high net worth retail and institutional investors and technological advancements facilitating easier client communications and investment administration have driven SMA growth, a trend CIO expects will continue.

Continue reading.

by UBS Editorial Team

11 Feb 2025

Fitch: U.S. States' Credit Quality Remains Resilient Despite Mixed Revenue Trends

Fitch Ratings-New York-10 February 2025: Weak tax revenue growth in fiscal 2025 is not expected to broadly affect states' credit quality, Fitch Ratings says. We expect fiscal resilience to remain strong despite a challenging budgetary environment due to the end of pandemic-era assistance and potential reductions in federal grants, although any federal spending cuts remain unclear. Despite slower growth, states are generally maintaining record-high dedicated operating reserves.

State tax revenue growth has slowed following robust post-pandemic gains. The National Association of State Budget Officers (NASBO) reported median projected growth in general fund revenues, predominantly taxes, of 0.3% in fiscal 2025, down from 1.3% in fiscal 2024 and 15% in fiscal 2022. Despite this slowdown, state rainy-day funds increased to a median of 13.5% of expenditures in fiscal 2024, with NASBO projecting an increase to 14.4% in fiscal 2025. On a calendar year basis from January to November, the Urban Institute reported growth in states' cumulative tax collections narrowed recently, trending below expenditure growth. However, average annual growth of more than 5% since 2019 supported expansion of reserves.

Continue reading.

US Airports Expected to Turn to Muni Debt If Federal Grants Wane.

- **Airport sector saw more than $20 billion of sales last year**
- **Fitch Ratings says smaller airports would be most impacted**

US airports may turn to the municipal bond market for financing if federal funding for infrastructure is rolled back as part of President Donald Trump's push to cull government spending.

Many facilities rely on federal grants to help fund renovations of aging infrastructure. Former President Joe Biden's administration earmarked $14.5 billion over five years to modernize facilities and improve service amid a boom in air travel after the pandemic. A decline in such funding would force airports to fill the gap themselves — through borrowing or other measures, or make them scale back projects, said Seth Lehman, a senior director in the global infrastructure group for Fitch Ratings.

"For some airports, it may be that less grants means more debt borrowing to get the job done," Lehman said.

Airports already are major issuers of municipal bonds, borrowing more than $20 billion of debt in 2024, according to data compiled by Bloomberg. Much of those sales came from the country's largest hubs, like New York City's John F. Kennedy International Airport or Orlando International Airport in Florida.But Lehman said smaller facilities would be most impacted by a reduction in federal grants. Facilities in tourist hot-spots like Key West, Florida, and Myrtle Beach, South Carolina, tend to rely on grants rather than debt and may have to reconsider their funding strategies, he said.

"If we start to see a decrease in annual funding, that puts more pressure" on airports, he said. But for projects that are needed, airports can tap the muni market. "They know they can go to the capital markets," he said.

Lehman expects airport issuance to range between $15 billion and $20 billion this year, especially since many borrowers already sold bonds in 2024.

Bloomberg Industries

By Aashna Shah

February 7, 2025

[S&P CreditWeek: How Could U.S. Public Finance And Insurance Issuers Be Affected Post-L.A. Wildfires?]

One month after the Los Angeles County wildfires began, the catastrophic event that burned thousands of acres, caused millions in damages, and devastated communities, they are nearly 100% contained. But in their aftermath (and as smaller, adjacent fires have sparked), the near- and long-term credit implications could pose significant financial and operational risks for U.S. public finance issuers—alongside implications for insurers.

What We're Watching

Given California's arid conditions and Santa Ana winds, wildfire conditions have become more frequent and severe, which could pose significant credit risk for the state's local governments and not-for-profit and investor-owned utilities. Legal liabilities, damage to infrastructure, and lower long-term population and economic trends following physical climate risks could weaken credit fundamentals.

As the L.A. County wildfires are poised to become the largest insured wildfire event in history (with loss estimates of $20 billion-$50 billion), total economic damages could surpass $250 billion. Looking forward, the shift in wildfires to urbanized from rural areas in California will require local governments and utilities to **meet a higher standard of risk resilience** for infrastructure, services, and financial preparedness. As wildfire risks increase—many of them caused, at least in part, by climate change—we are reassessing whether utilities' liquidity, insurance, asset adequacy, resilience, and emergency preparedness are insufficient or outdated.

Many U.S. public finance and regulated utility entities we rate—including not-for-profit public power and water and sewer utilities; investor-owned utilities; local governments; and school districts—have assets and tax bases in the fire-affected areas. While more insight on the Palisades, Eaton, Sunset, Hurst, and Kennedy fires is available, final determination on what led to the L.A. County wildfires' ignition remains an open question.

Ultimately, the potential for litigation, particularly brought against not-for-profit and investor-owned utilities , could pose substantial financial liabilities that may outpace costs required for infrastructure repair. For example, the 2018 Camp Fire resulted in $30 billion in wildfire liabilities for Pacific Gas & Electric and it eventually made a $13.5 billion settlement.

What We Think And Why

As physical climate risks have increased, the California insurance market has evolved and in recent years resulted in an exodus of commercial insurers. The state's insurance regulator recently made changes in hopes of retaining and luring providers back—allowing insurers to use a catastrophe model to justify premium increases and giving providers the ability to pass reinsurance costs to policyholders.

In our view, insurance in California will be more costly post-event as remaining property insurance carriers are likely to **raise premiums or deductibles and/or reduce coverage options**, which help insurers maintain profitability. However, wildfire-related claims, including those in connection with property damage and business interruption, have contributed to a **broader trend of insurers' reconsidering risk exposure** in catastrophe-prone regions. We believe limited availability for insurance and higher premium costs contribute to a wide swath of affordability issues we've observed in the U.S., including food inflation and higher utility rates.

Reinsurers are expected to **carry a meaningful portion** of associated costs, which are mostly expected to originate from personal lines (about 80%-85% of the total insured losses) rather than commercial lines (about 15%-20%). These early losses associated with the California wildfires are likely to be absorbed within the reinsurance industry players' annual earnings, albeit leaving less catastrophe budget for the remainder of 2025. The impact from the wildfires is, in our view, manageable for our rated global reinsurers, with no significant effect on earnings due to the event's magnitude and timing.

What Could Change

We continue monitoring new information to inform our credit rating analysis and potential rating actions. Because utilities have unique exposures and specific mitigation approaches, our ratings are reviewed case-by-case.

S&P Global Ratings lowered its long-term and underlying ratings on the Los Angeles Department of Water and Power on Jan. 14 (with both ratings placed on CreditWatch with negative implications) due to our view of heightened risk for both systems. We placed our 'AA' long-term rating on the City of Los Angeles' bonds on CreditWatch with negative implications on Jan. 15, to account for the city's weakening financial trends and the introduction of additional credit risk tied to the wildfires. On Jan. 16, we placed our 'AA-' underlying rating (SPUR) on Altadena Library District Community Facilities District No. 2020-1, Calif.'s 2022 special tax bonds on CreditWatch with negative implications. The placement reflects our view of potential acute credit risk tied to the Eaton Fire that began on Jan. 7, 2025.

On Jan. 28, we revised our outlook on Pasadena Water & Power to negative from stable and affirmed its 'AA' long-term rating, reflecting our view that the credit risks posed by California wildfires are increasing. We revised our outlook on Edison International to negative from stable on Feb. 3 to reflect the possibility of material depletion of the California Wildfire Fund, which is a fundamental aspect of how we assess credit ratings for all investor-owned utilities in the state. We rate local governments and water and sewer utilities within the wildfire boundaries, and are evaluating potential near-term effects on associated service areas and longer-term implications for underlying infrastructure.

In our view, the state of California and Los Angeles County have a notably strong economic and tax base, and as such will be resilient through this disaster. We maintain our 'AA-' credit rating with a stable outlook on the state of California, which is slightly below average for U.S. states (with our median rating for the state sector being 'AA+'). However, the City of Los Angeles and/or the county may need to help cover recovery costs depending upon the pace and amount of reimbursement from FEMA. In addition, any permanent and meaningful outmigration, coupled with rising insurance costs and mounting affordability challenges, could weigh on the regional entities' and state's creditworthiness over time.

Writer: Molly Mintz

This report does not constitute a rating action.

7 Feb, 2025 | 00:22

No Department of Education? What It Means for Municipal Bonds.

Eliminating the DOE will have little impact on municipal bonds, as schools rely mostly on state and local funding, though short-term disruptions in grants and student loans are possible.

We believe the elimination of the federal Department of Education (DOE) will have a muted impact on the municipal market.

Public school districts, charter schools, private schools, colleges, universities, and community colleges borrow money in the municipal market. The bonds pay for facility improvements and are repaid through revenues – almost none of which originate from the federal government. If the federal Department of Education is eliminated, the closure will not impact these borrowers' long-term credit quality.

Elementary and secondary (K-12) education funding is the responsibility of states, and on average, state funds account for about half of a school's budget. An additional 40% of school budgets are funded by local governments, usually from property taxes. The typical K-12 school in the United States receives less than 10% of its funding from the federal government1. And much of that 10% isn't from the Department of Education. The USDA, for example, administers the National School Lunch Program, which provides free to reduced meals for students living near the poverty level. Head Start is funded through the Department of Health and Human Services.

The Department of Education does administer grants for K-12 schools, most notably through the Title I and IDEA programs. A school qualifies for Title I funding if a large percentage of students come from low-income homes. IDEA (Individuals with Disabilities Education Act) funds and related programs provide money for special education funding. Each program has a total budget of $18 billion and $15 billion, respectively, in 20232. There are other grant programs as well, but these are the two largest. In all, about $80 billion in grants were awarded in 2023 by the Department of Education to K-12 programs.

The elimination of the Department of Education doesn't eliminate funding for these programs, which would be a blow to the most vulnerable populations. We already see that funding for the public school system can come from multiple federal agencies. These programs can also be administered through other state agencies, like the Department of the Treasury.

The Department of Treasury would likely also take over the Department of Education's largest responsibility as well: the federal student loan program. The transition of the K-12 grant and loan programs to other agencies poses near-term credit concerns as the likelihood of funding delays, slower processing times, and errors are more likely as new teams get up to speed. For K-12 schools, delays are unlikely to result in bond defaults due to the small amount of the total budget these funds make up. Most school district debt is paid directly from property taxes as well.

Changes to the federal student loan program, Pell Grants, and federal student aid could significantly impact colleges and universities – whether the programs are administered in the Department of Education or the Department of Treasury. Delays will require colleges to rely upon their own liquidity, but the confusion from the transfer to another department will not have a long-term impact and should resolve in the near term. However, changes to the programs themselves could significantly impact institutions of higher education.

The student loan program ensures inexpensive funds are available for students to borrow to attend almost any higher education institution in the country. Beyond more expensive borrowing, a greater reliance on the private loan market means more discerning lenders with fewer dollars to lend. We do not know what changes, if any, will be considered, but we will continue to watch as events unfold.

VanEck

by Tamara Lowin Senior Municipal Credit Analyst

February 05, 2025

[A Third of U.S. States Now Eyeing Bitcoin and Crypto for Public Funds: Utah Leading the Charge]

A new financial trend is gaining momentum across the United States as more states explore integrating Bitcoin and other cryptocurrencies into their public funds strategy. With 16 states actively discussing or proposing legislation to include digital assets in their state budgets, it's clear that a shift in fiscal policy is underway. Utah is leading the charge, with its Blockchain and Digital Innovation Amendments bill gaining traction as one of the first concrete steps toward state-backed Bitcoin reserves.

Utah has emerged as the state closest to implementing a Bitcoin and cryptocurrency-based public fund policy. On January 28, 2025, Utah's Economic Development and Workforce Services Committee passed the Blockchain and Digital Innovation Amendments bill by an 8-1 majority vote, recommending it for a third reading in the House. The bill empowers the state treasurer to allocate up to 5% of certain public funds to "qualifying digital assets."

However, there is a crucial condition: the digital assets must have a market capitalization of over $500 billion, averaged over the past 12 months. While the bill does not directly mention Bitcoin, the cryptocurrency uniquely meets this threshold, making it the primary digital asset that could potentially benefit from the bill. Despite this, Bitcoin advocates have debated the specifics of the bill, with some pointing to potential legal obstacles due to Utah's Money Transmitter Act.

Continue reading.

thecurrencyanalytics.com

by Steven Anderson

February 8, 2025

S&P: Three U.S. Public Pension Points To Watch In 2025

Key Takeaways

- We expect U.S. public pension funded ratios will generally improve when measured as of the fiscal year ended June 30, 2024, and continue to improve in fiscal 2025 because of positive market results in the first half.
- U.S. public pensions face growing risks because assets funding the plans are based on increasingly diverse and opaque allocations.
- We expect pension contributions will increase due to inflation-driven salary growth, partially offset by cheaper new benefit tiers, a frequently used tactic that may no longer be viable.

Continue reading.

4 Feb, 2025

Schwab Launches Second Actively Managed Fixed-Income ETF.

This month Schwab Asset Management is launching its second actively managed bond ETF, one based on an existing strategy that has already garnered more than $100 million in assets.

The Schwab Core Bond ETF (SCCR) launches February 5, and its benchmark is the Bloomberg U.S. Aggregate Bond Index. Schwab said that in a sea of bond products, this one is unique because of its diversity, including its managers' use of taxable municipal bonds, among other investments.

Other funds might choose to outdo their benchmarks by overloading on loans or credit. Schwab's ETF tries a more diverse way, said David Lafferty, director of product management and innovation at Schwab Asset Management (the asset management arm of Charles Schwab). While other products use taxable bonds, he said it's not to the same extent as the new ETF, which focuses on that type of allocation to potentially increase yield within an attractive risk/return framework.

"We think this is a bit more diversifying way to do this," Lafferty said in an interview. "So this would be a great ETF to add to a model because we're trying to get you to the same place, but we're trying to get you there in a different way."

The goal of the ETF is to provide total returns while creating income by investing in U.S. dollar-denominated debt securities. It's modeled after the Wasmer Schroeder Core Bond Separately Managed Account that launched in January 2008.

Schwab acquired Wasmer in 2020 and the strategy has been popular, amassing more than $100 million in assets under management. With a lot of demand for core bond funds within ETF models, Schwab saw an opportunity to bring its successful strategy into an ETF and expose it to a wider audience.

"We know people like these Wasmer Schroeder strategies," Lafferty said. "It gives us an opportunity to bring Wasmer Schroeder and Schwab's expertise to a client that can't make the separate account minimums."

This is Schwab's second actively managed fixed-income ETF and its 12th fixed-income ETF overall out of 33 total ETFs.

While the firm saw the opportunity with the ETF to bring a specific Wasmer Schroeder strategy to a wider audience, it has no immediate plans to model any additional Wasmer Schroeder strategies for upcoming ETFs.

The new ETF has an expense ratio of 16 basis points, which is one of the lowest among core bond ETFs, Lafferty said. It will trade on the NYSE Arca platform.

It's meant to serve as a core allocation within a portfolio, Lafferty said, adding that it will appeal to a particular group of advisors.

"One of the things we wanted to do was to bring this to people who build ETF models," he said. "We think financial advisors will find it interesting because they tend to build models."

fa-mag.com

by Edward Hayes

February 3, 2025

Municipal Bonds Favored by Many Advisors.

Municipal bonds were a hot topic at last week's VettaFi Fixed Income Symposium — more than I expected them to be.

There were 491 live attendees at VettaFi's two-hour virtual event. You can catch the replay here. VettaFi moderated panels with industry experts about interest rates, whether to and how to take on credit risk, the potential benefits of active management, and more. Advisor attendees benefited from hearing from leading asset managers. However, together we also learned a lot about what's important to the community.

What Do Advisors Think About Municipal Bonds?
For example, we asked, "Which fixed income approach is most attractive to you in the first half of 2025?" While 28% chose investment-grade corporate bonds, 25% selected municipal bonds. Munis were ahead of private credit, high yield corporates, and Treasuries. This was a pleasant surprise to me.

We also asked, "Which best reflects your expected plans for muni bond investing in 2025?" Adding to muni bonds via ETFs (30%) was the most popular choice for those planning to add exposure. Access to the municipal bond market directly as well as via mutual funds were less popular.

Which best reflects your expectd plans for muni bond investing in 2025

ETFs and mutual funds provide diversification benefits for investors accessing the equity and bond markets. Mutual funds had long been the preferred vehicle for municipal bond investors. Indeed, while equity mutual funds continue to bleed assets, municipal bond mutual funds continue to gather net inflows in 2025, according to the Investment Company Institute. However, municipal bond ETFs are gaining ground too.

Understanding the Muni Bond ETF Landscape
The two largest municipal bond ETFs are the iShares National Muni Bond ETF (MUB) and the Vanguard Tax-Exempt Bond ETF (VTEB). Both funds are index-based and swelling in size. MUB manages $40 billion in assets, aided by $3.6 billion of net inflows in the past year. VTEB has $36 billion in assets and gathered $4.7 billion. MUB and VTEB own only investment-grade municipal bonds. There are many other established index-based ETFs with more than $1 billion from Invesco,

iShares, State Street Global Advisors, and others.

During the VettaFi Fixed Income Symposium, we highlighted a few actively managed municipal bond ETFs that launched in 2024. A few examples include the Goldman Sachs Municipal Income ETF (GMUB) and the MFS Active Intermediate Municipal Bond ETF (MFSM). GMUB and MFSM came to market in July 2024 and December 2024, respectively

Benefits of an Active Approach
One of the benefits of investing in actively managed municipal bonds ETFs is tapping into the in-house credit analysis. The teams behind GMUB and MFSM conduct their own research to understand the likelihood of default by an issuer. In contrast, indexes tracked by MUB and VTEB leverage third-party credit rating agencies. GMUB recently had 17% of its assets in speculative-grade or nonrated securities. MFSM had 8.2% of its portfolio outside of investment-grade bonds.

Advisors looking to gain municipal bond exposure via ETFs should be happy. There are now several dozen municipal bond ETFs to consider including active products from Alliance Bernstein, Avantis, Dimensional Funds, Pimco, T. Rowe Price, and even Vanguard.

etftrends.com

by Todd Rosenbluth

February 10, 2025

BlackRock Bolsters Municipal Bond Suite with Launch of High Yield Muni ETF.

Marks completion of the conversion of the BlackRock High Yield Municipal Fund into the iShares High Yield Muni Active ETF

NEW YORK, February 10, 2025–(BUSINESS WIRE)–Today, BlackRock announced the conversion of the BlackRock High Yield Municipal Fund into an active ETF, creating the iShares® High Yield Muni Active ETF (CBOE: HIMU). HIMU harnesses the expertise of BlackRock's Municipal Bond Group to provide more choice and flexibility to clients seeking high yield, tax-exempt solutions in the convenience of an ETF.

"Today's higher interest rate environment provides a generational opportunity to capture income, particularly in the municipal bond market," said Pat Haskell, Head of the Municipal Bond Group at BlackRock. "Through the ETF wrapper, HIMU aims to take advantage of the attractive yield levels and strong credit quality in municipal bonds, delivering alpha to our clients in an efficient and transparent manner."

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Continue reading.

[Innovation and Resilience: Key Themes Shaping Not-for-Profit Healthcare - J.P.Morgan]

How are health systems navigating evolving challenges in the not-for-profit healthcare sector? Find out.

The not-for-profit healthcare landscape is rapidly changing. To stay relevant, health systems are demonstrating innovation and resilience in the face of evolving challenges, with many focusing on their core identities, community impact, technological advancements and operational efficiency.

At the recent [43rd annual J.P. Morgan Healthcare Conference], presenters from some of the largest integrated providers in the U.S. shared their strategies and visions for the future of the industry, emphasizing their commitment to delivering consumer-centric, high-quality care. Read on to discover some of the key themes shaping not-for-profit healthcare in 2025 and beyond.

1. National scale and influence with regional relevance

Achieving scale has long been a common theme for health systems as size can be a determinant of performance. Scale also equates to national influence, leading to opportunities to partner with large, innovative companies, as well as creating healthier balance sheets for further investments.

Increasingly, the importance of achieving the right kind of scale is taking centerstage, with systems focused on investing in growth markets and making difficult decisions to rightsize their portfolios. Market expansion and divestiture strategies now revolve around the primary goal of becoming better, not just bigger.

2. Consumerism is an unstoppable force

Health systems have been shifting toward consumer-centric care models that prioritize the patient experience and convenience for some time now, such as by offering more outpatient and virtual care options. Some providers are highlighting the importance of personalization and exploring how data will transform the future, while others are seeking to stay aligned with an aging consumer base. Overall, it is clear that consumer advances will accelerate with AI.

3. Partnership and collaborations: Solutions perform better at scale

Today, collaborations with health systems, academic institutions and other players across the continuum of care are more prevalent than ever. Partnerships are aimed at enhancing service offerings, sharing resources and driving innovation, and they are expected to increase as healthcare organizations look for ways to gain value out of scale without full asset mergers.

4. The transformative power of AI

When it comes to AI, health systems are moving from implementation to seeing real returns on tech-enabled scalability. Many providers are focused on integrating technology to enhance patient care and operational efficiency. Some have managed to reduce administrative work by up to four hours a day, while others have freed up capacity for more patients without needing new investments in facilities. Overall, the utilization of AI is expected to increase exponentially across the industry over the next several years.

5. Financial resiliency and operational rigor

Health systems are emphasizing financial stability through strategic investments, cost management and capital allocation, resulting in improved margins and recurring synergies. Overall, the industry has seen an improvement in operations, but there continues to be haves and have-nots, with performance being influenced by market relevance, geography and size.

J.P.Morgan

February 10, 2025

BlackRock's High-Yield Muni Fund Becomes an Actively-Managed ETF.

- **Prior to the conversion the fund had $1.6 billion in assets**
- **In 2024, asset managers launched a record number of muni ETFs**

BlackRock Inc. is converting its high-yield municipal bond fund into an actively-managed ETF in a bid to grow assets under management by providing a lower-cost and more liquid investment vehicle.

The new fund, called the iShares High Yield Muni Active ETF, is trading under the ticker HIMU. It will continue to invest in high-yield state and local government debt across a variety of sectors and seek to outperform its benchmark, according to a Monday statement from the investment firm.

"Through the ETF wrapper, HIMU aims to take advantage of the attractive yield levels and strong credit quality in municipal bonds," said BlackRock's head of municipal bonds Pat Haskell in the statement.

Continue reading.

Bloomberg Markets

By Erin Hudson

February 10, 2025

Trump's Federal Funding Pause Threatens State Financials.

- **Agencies were instructed to 'pause' financial assistance**
- **State and city federal grants totaled $1.1 trillion in 2023**

President Donald Trump's federal funding pause threatens more than $1 trillion that flows to states, cities and other local governments, putting everything from transit infrastructure to housing projects at risk.

Trump's acting budget director issued a memo directing all agencies to temporarily halt federal financial assistance while the government reviews if the spending complies with an onslaught of recent executive orders. The pause was expected to take effect on Tuesday at 5 p.m. Eastern Time, although a federal judge in Washington temporarily blocked the directive.

Freezing payments would be an unprecedented step and likely ripple across the country because states, cities and jurisdictions such as school districts rely on the federal government for significant amounts of cash.

[Continue reading.](#)

Bloomberg CityLab

By Laura Nahmias, Shruti Singh, and Sri Taylor

January 28, 2025

Rethinking Budgeting: A Transformative Approach for State and Local Governments

Given the fiscal realities that the majority of governments now face in the post-COVID era, they need to think differently about how they allocate their resources.

State and local governments across the U.S. are facing a growing financial crisis, with every state except Florida facing a budget deficit by 2025.

Rising costs, falling tax revenues, increasing demand for public services, and outdated infrastructure are putting intense pressure on budgets. COVID-19 made things worse, creating deficits and straining resources, which now threaten public services, delay infrastructure projects, and weaken trust in government.

The pandemic also exposed deep inequities in funding, now driving urgent calls to increase support to underserved communities. These challenges force tough decisions about what to fund and cut.

[Continue reading.](#)

Route Fifty

By Mark Funkhouser, Abhi Nemani and Nick Mastronardi

January 29, 2025

Cyber Threats in Public Finance: Protecting Transactions from Wire Fraud - Orrick

A recent cyberattack on a Michigan township has exposed weaknesses in the bond-closing process. In this incident, hackers stole over $25 million in bond proceeds by using spoofed email addresses to provide fraudulent wire instructions.

The Michigan attack is not unique — Costs of Issuance have been stolen in connection with other transactions using similar techniques. As hacking becomes more sophisticated, the public finance industry must act now to add enhanced controls during the closing process, including, but not limited to:

- Providing all wire information solely to the Trustee or Paying Agent at least five business days in advance of closing;

- Requiring that the Trustee or Paying Agent confirm such wire information by telephone using the contact information provided on the Interested Parties list;
- Using encrypted email channels and documents to transmit wire information; and
- Requiring two separate confirmations from different people by telephone to a trusted counterparty before making any changes to already-provided wire information.

For more detailed recommendations on minimizing the risk of misdirected wire transactions or business email compromise fraud, please reach out to any of the authors: Aravind Swaminathan, Jenna Magan, Joseph Santiesteban, John Palmer, Sean Yates.

January.30.2025

NFMA Draft Best Practices for Public Power - Comments Due February 15

The NFMA Disclosure Committee released the Draft Recommended Best Practices in Disclosure for Public Power Electric Utilities & Joint Action Agencies (RBP) for public comment through February 15, 2025.

To download the paper, click here.

To read the press release, click here.

Quincy CFO Talks BlackRock Purchase of Blockchain-Powered Municipal Bond.

Eric Mason, the CFO of his hometown of Quincy, Massachusetts, has launched an unprecedented form of public debt issuance in the U.S. that combines "the old with the new."

While "unprecedented efficiency" and "local government" don't often intertwine, Quincy and its CFO have merged municipal bond issuance with blockchain technology in a nontraditional format. Back in the Spring of 2024, a municipal bond issued by the city was executed on JPMorgan's Onyx blockchain platform. Most recently in December, JPMorgan sold 65% of the $10 million bond to global investment giant BlackRock's iShares Short Maturity Municipal Bond Active ETF (MEAR).

Essentially, a BlackRock ETF (exchange-traded fund) purchased a tax-exempt, seven-year bond worth $6.5 million at varying year-over-year rates, with the highest yield at 3.67% in the bond's first year and decreasing to 3.04% in the final year. While the city received the funds when it issued the bond in May 2024 and used it for a public roadway just outside City Hall, Mason said BlackRock's purchase legitimizes the use of blockchain technology in public debt issuance. He said it also allows local government to do something it seldom does — set a new precedent in efficiency through leveraging emerging technology.

Blockchain's ability to increase trading, boost liquidity and promote reporting consistency

While "unprecedented efficiency" and "local government" don't often intertwine, Quincy and its CFO

have merged municipal bond issuance with blockchain technology in a nontraditional format. Back in the Spring of 2024, a municipal bond issued by the city was executed on JPMorgan's Onyx blockchain platform. Most recently in December, JPMorgan sold 65% of the $10 million bond to global investment giant BlackRock's iShares Short Maturity Municipal Bond Active ETF (MEAR).

Essentially, a BlackRock ETF (exchange-traded fund) purchased a tax-exempt, seven-year bond worth $6.5 million at varying year-over-year rates, with the highest yield at 3.67% in the bond's first year and decreasing to 3.04% in the final year. While the city received the funds when it issued the bond in May 2024 and used it for a public roadway just outside City Hall, Mason said BlackRock's purchase legitimizes the use of blockchain technology in public debt issuance. He said it also allows local government to do something it seldom does — set a new precedent in efficiency through leveraging emerging technology.

Blockchain's ability to increase trading, boost liquidity and promote reporting consistency
Though Mason is not a fan of cryptocurrency and has spoken extensively about his desire to decouple blockchain technology from assets like bitcoin, he said blockchain itself is something finance leaders in all industries should explore. To him, its value lies primarily in transparency, particularly in the issuance process and the liquidity upside for public debt.

"The real value comes from the fact that once you do this on a blockchain, the issuance process, the legality, the intrinsic documentation, live with that bond on the block forever," Mason said. "This allows the secondary market to come and kind of freely trade these things as if they were trading an equity or a corporate bond."

While traditional municipal bonds trade once or twice annually, public debt issued in this format allows for much more frequent trading. By increasing the potential for trading volume, the bond can simultaneously increase liquidity while reducing risk.

"If we reduce friction in the [trading process], that increases liquidity on the secondary market and whenever you increase liquidity, the risk of holding that bond goes down," Mason said. "Reducing liquidity barriers on [the bond's] secondary market is really appealing to me right now."

When referencing data from the Electronic Municipal Market Access (EMMA) service, Mason seemed excited about its current performance. "When you look at some of these PAR values [the fixed face value of a bond repaid at maturity], the bond is trading at 112% of par value," Mason said. "I think everybody would love [near] 112 PAR value on their bond on origination."

Costs and benefits

Mason said this process was not more expensive than a traditional bond issuance and did not negatively impact the bond's interest rate, but required significantly more diligence from all parties involved.

"As the finance leader of a municipality, I am not allowed to take on more risk," he said. "The SEC doesn't want us to take on more risk, JPMorgan didn't want us to take on more risk, because they wanted this to be a true municipal bond despite the issuance occurring on the blockchain."

"What's interesting about this is most leaders [in bond trading] understand the legal structure of this type of debt, that it's very robust and very technically proficient, but here there's a beautiful merging of old school and new school and the economists I talk to say they're fascinated by what's going to happen here on the secondary market."

Though the amount of debt issued and purchased was small in the world of public municipalities, Mason said the ability to access liquidity, improve liquidity on the secondary market and enhance transparency in reporting and buying makes this type of technology both useful and scalable.

“That’s something I find interesting about this — when we talk about consistency in reporting, blockchain technology provides a strong ability to enforce replication and consistency in that process in a transparent format,” Mason said. “That’s why I think this is just the start and completely scalable.”

“The biggest challenge is the sociological aspect — that people tie blockchain back to crypto,” he said. “But I think there’s a legitimate marketing challenge here for blockchain as an entity in the world of traditional corporate finance.”

cfo.com

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Fitch Updates Rating Criteria for U.S. State Governments and Territories Criteria.

Fitch Ratings-New York-04 February 2025: Fitch Ratings has updated its rating criteria for U.S. Public Finance State Governments and Territories, replacing the previous criteria from April 2, 2024.

While there are multiple changes (outlined below), they do not materially alter Fitch’s approach to rating U.S. state governments and territories from the previous version. As such, Fitch expects no rating changes resulting directly from these criteria changes. The revisions generally provide additional clarity regarding Fitch’s current analytical approach. The most notable changes include the following:

–Revised the Key Rating Drivers on page 1 to align presentation with other Fitch rating criteria;
–Added descriptors for ‘b’-level assessments;
–Changed discussion of Operating Performance assessments to clarify Fitch’s analytical approach including our focus on a state’s available fiscal management tools to manage a downturn and our expectations of their willingness to make use of those tools.
–Updated language describing our use of scenario analysis for states including a focus on relative revenue volatility, and more detail around our analysis of reserves including a definition for dedicated operating reserves.
–Revised charts and tables for the Scenario Analysis to be included in rating reports to focus on components which are more useful to our analytical approach including showing available fund balance as percentage of spending rather than net change in fund balance as percentage of spending.

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

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S&P U.S. Not-For-Profit Acute Health Care Rating Actions, 2024 Year-End Review

S&P Global Ratings’ 2024 U.S. not-for-profit acute health care rating and outlook actions reversed a three-year downward trend from 2021 through 2023, with fewer downgrades and a meaningful shift to favorable outlook revisions (stable to positive, negative to stable, or negative to positive) and away from unfavorable outlook revisions (stable to negative, positive to stable, or positive to negative). While we upgraded fewer entities in 2024 than in 2023, over half of the upgrades in each year were due to merger and acquisition activity. In addition, the stability of rated entities continues to increase, with 83% of ratings unchanged in 2024, which is comparable with 2022 but significantly improved from 79% in 2023 (see chart 1). At the end of 2024, most organizations carried stable outlooks (77%), up from 72% in 2023 (see chart 2). In our view, these trends support our decision to revise our sector outlook to stable from negative, although we also acknowledge that there are risks and pressures, particularly in the lower-rated categories.

Continue reading.

4 Feb, 2025

Muni Bonds Jump on Haven Rally After DeepSeek Upends Tech Market.

- **Bonds gain as China’s DeepSeek sparks AI, tech concerns**
- **State and local debt present haven, attractive absolute yield**

Municipal bonds rose alongside Treasuries Monday as investors rushed into haven assets after the rapid ascent of a Chinese AI startup rattled the US stock market.

Benchmark state and local government yields fell as much as 6 basis points as of 4 p.m. New York Time on Monday. Those on 10-year securities dropped 6 basis points to 3.07%, the lowest since Dec. 18, according to data compiled by Bloomberg.

Investors sought safety in fixed income after Silicon Valley heaped praise on China’s ChatGPT rival, DeepSeek, while technology behemoths Nvidia Corp. and Oracle Corp. plunged alongside chipmakers.

Continue reading.

Bloomberg Markets

By Elizabeth Rembert

January 27, 2025

Navigating Severe Weather Risks In The Municipal Bond Market

The scale and financial toll of the Los Angeles area wildfires reveal the escalating impact of natural disasters in the United States. Our thoughts remain with the affected communities as they confront this ongoing crisis and embark on the long and challenging path to recovery. With damages estimated in the billions, these events stand among the costliest wildfires in American history. Similar devastation has unfolded across the Southeast, where hurricanes like Helene in North Carolina and Milton in Florida have wreaked havoc on infrastructure and municipal systems. Together, these crises underscore the urgent need for comprehensive financial and risk management strategies in an era of intensifying climate challenges.

For investors, portfolio managers and wealth advisors, the question is no longer whether extreme weather events will occur but when. Are you prepared to safeguard your wealth, your portfolio and your family's financial future against life-altering scenarios?

Billion-Dollar Weather And Climate Disasters

Severe weather events are occurring with increasing frequency. According to the National Oceanic and Atmospheric Administration (NOAA), 2023 marked the fourth consecutive year of 18 or more billion-dollar disasters in the United States. These events strain municipal budgets, threaten credit stability and demand that investors assess the financial implications of climate risks on municipal bonds.

Continue reading.

fa-mag.com

January 23, 2025 • Jude R. Scaglione

S&P U.S. Brief: Los Angeles Wildfires And Variable-Rate Municipal Debt

Los Angeles area wildfires threatens utility-backed debt performance. Ongoing Wildfires pose prepayment risks for municipal bonds backed by California-based obligors.

What's Happening

Several wildfires erupted across the greater Los Angeles area on Jan. 7. Although the extent of the damages is still developing, with some figures estimating as high as $150 billion, credit deterioration has already begun. On Jan. 15, we lowered our long-term ratings on 20 municipal bonds issued by the Los Angeles Department of Water and Power, one of the largest variable-rate municipal issuers in the U.S., to 'A' (Power) and 'AA-' (Water) and placed the ratings on CreditWatch with negative implications. S&P Global Ratings currently rates 119 variable-rate demand obligations (VRDOs) and 91 tender option bond (TOB) certificates financing projects located in Los Angeles County and the surrounding area.

Why It Matters
Severe damages could lead to early prepayment of principal and interest. This is due to following factors:

- In VRDOs, severe damages could lead to a number of events, such as extraordinary redemption, that result in prepayment of principal and interest.
- If the physical project is damaged or destroyed, the obligor may receive insurance or condemnation proceeds to pay debtholders. Those funds could be considered part of the obligor's estate and present the risk of clawback in an obligor's bankruptcy. Therefore, we typically see redemptions funded by letter of credit (LOC) funds "to the extent" of receipt of insurance proceeds, thus eliminating the clawback risk. Nineteen of our ratings on the VRDOs and TOBs are supported via self-liquidity by the obligor, which do not benefit from third-party support and exclusively rely on the obligor to ensure principal and interest to the certificateholders.
- For TOB certificates, in lieu of a supporting credit facility, the certificateholders should expect potential rating movement if the repackaged municipal bonds undergo credit stress.
- If the rating on a TOB falls below investment grade or 'BBB-', the TOB trust will unwind and the bonds sold to cover principal, interest, and fees.
- For VRDOs that benefit from a liquidity facility, certificateholders will immediately lose their optional tender rights but not become subject to an immediate payment event.
- For joint and several ratings that benefit from support from both the municipal obligor and a credit facility, we will assess whether the downgrades on either party results in a lower joint and several rating.

What Comes Next

The overall credit impact on U.S. VRDOs and TOBs could be significant. The recent downgrades on the Los Angeles Department of Water and Power will likely have a meaningful impact on the overall performance of U.S. utilities-backed municipal debt. Although these downgrades account for only a small segment of all rated utilities-backed VRDOs and TOBs, not-fo--profit utilities comprise approximately 30% of the total outstanding principal balance. Further, of the 210 ratings exposed to Los Angeles County and the surrounding area, public transportation and not-for-profit health care, which both remain unaffected at this time, account for nearly 45%.

We will continue to monitor developments on the wildfires and the credit deterioration on affected obligors, and their potential impact on variable-rate municipal debt.

17 Jan, 2025

[S&P: Los Angeles Wildfires Highlight Evolving Risks And Challenges For Local Governments]

LA's Regional Economy Will Recover, But The Higher Risk Of Future Events Complicates The Picture For Some Local Governments

Given the strength and resilience of the L.A. regional economy, S&P Global Ratings believes that the direct impact of the L.A. wildfires on local government credit quality will be limited, even as the area experiences significant damage and loss. Going forward, the increasing frequency and severity of wildfires in urbanized areas in California will require local governments and utilities to meet a higher standard of risk resilience for infrastructure and services. It also exposes them to greater liability compared with entities in other states with wildfire exposure. Beyond the horizon of this event, increased costs will likely push debt burdens higher and exacerbate tax and rate-setting pressures in a region already facing affordability constraints.

Continue reading.

21 Jan, 2025 | 17:15

S&P Credit FAQ: What Are The Credit Implications Of The Los Angeles County Wildfires?

The recent and still currently active Los Angeles County wildfires pose significant financial and operational risks for U.S. public finance and regulated utility issuers. S&P Global Ratings is closely monitoring the near-term effects and longer-term credit implications of the Palisades, Eaton, Sunset, Hurst, and Kennedy fires. Our analytical views consider how California's strict liability framework, its more frequent and severe physical climate risks, and utilities' and cities' approaches to adaptation and resiliency influence ratings.

The Los Angeles County wildfires could be California's costliest in economic losses. Many U.S. public finance and regulated utility entities we rate—including not-for-profit public power and water and sewer utilities; local governments; and school districts as well as investor-owned utilities—have assets and tax bases in the areas with recent or active fires. The associated substantial destruction could result in infrastructure damage, significant liabilities, and revenue losses from outages and customer dislocations.

Our U.S. public finance and regulated utility analysts answered market participants' questions about credit impacts of these wildfires in a webinar on Friday, Jan. 17, 2025. In this Credit FAQ, we provide comprehensive clarity on the credit implications for California public finance and regulated utility issuers affected by the wildfires.

Key Takeaways

- The growing frequency and severity of climate-related physical risks can affect the credit quality of some entities more than others. Californian utilities' liquidity, insurance, asset adequacy, resilience, and emergency preparedness can face acute credit risks from wildfires—and the potential for wildfire litigation could pose more substantial risks to entities than damage to infrastructure.
- Because utilities have unique exposures and specific mitigation approaches, our ratings are reviewed case-by-case. On Jan. 14, S&P Global Ratings lowered its long-term and underlying ratings on the Los Angeles Department of Water and Power, with both ratings placed on CreditWatch with negative implications, due to our view of heightened risk for both systems. Our current stable outlook on Edison International is predicated on the credit protections afforded to the electric utility through the California Wildfire Fund, which is a fundamental aspect of how we assess credit ratings for all investor-owned utilities in the state. We rate local governments and water and sewer utilities within the wildfire boundaries, and are evaluating potential near-term effects on associated service areas and longer-term implications for underlying infrastructure.
- In our view, the state of California and Los Angeles County's notably strong economic and tax base will support resilience through this disaster. Our Jan. 15 action placing our 'AA' long-term rating on the City of Los Angeles on CreditWatch with negative implications reflects our view that the city's general credit quality could weaken if utilities' credit quality materially weakens further, and

acknowledges weakening financial trends existed before this wildfire event.
- Insurers will likely absorb the significant losses from the Los Angeles County fires, including California's Fair Access to Insurance Requirements plan. We believe our rated primary insurers can weather losses after strong results last year but may see earnings pressure later in 2025.

How does S&P Global Ratings assess overall credit risks associated with wildfires for utilities in California?

Wildfires pose significant credit risk in California due primarily to the associated legal liabilities and physical climate risks.

With California's strict legal framework, wildfire litigation risk is more problematic than the risk of damage to a utility's infrastructure assets. Utilities in the state can be liable for wildfire claims if its facilities were a contributing cause of a wildfire—regardless of negligence. California remains the only western U.S. state that supports this legal interpretation for utilities.

Additionally, physical climate risks are an increasing credit consideration. California experiences extreme wet and dry weather whiplash, increasingly aggressive windstorms (such as the Santa Ana wind phenomenon), and moderate to severe droughts—conditions that create perfect conditions for wildfires. Wildfires are becoming more severe and expansive, spreading quickly as winds carry burning embers into urban neighborhoods that were previously perceived as lower risk.

As these risks increase, many of them caused, at least in part, by climate change, we are reassessing whether utilities' liquidity, insurance, asset adequacy, resilience, and emergency preparedness are insufficient or outdated.

Our view and analysis of wildfire-related credit risks continues to evolve as we learn from such extreme weather events that are increasing in frequency and severity. Given that each utility we rate has both unique exposures and specific approaches to mitigating them, our ratings are reviewed case-by-case. Longer-term credit implications could materialize as we continue to consider the increasing frequency and severity of wildfire events.

What factors influenced S&P Global Ratings' lowering of its ratings on the Los Angeles Department of Water and Power utility?

On Tuesday, Jan. 14, S&P Global Ratings lowered its long-term and underlying ratings on the Los Angeles Department of Water & Power's (LADWP) power and water system by two notches—with the former to 'A' from 'AA-', and the latter to 'AA-' from 'AA+', with both ratings placed on CreditWatch with negative implications.

Our downgrade on the power system bonds reflects the increasing frequency and severity of highly destructive wildfires within LADWP's service territory, and recent spread into more urban areas, which highlights the utility's potential vulnerability to financial liability claims that could eclipse its liquidity and insurance coverage. Such vulnerabilities, alongside the various physical climate risks faced by utilities, and California's strict legal framework, led us to reassess the adequacy of the utilities' reserves and insurance coverage that we incorporated into the previous rating level.

While no determination of cause has been made for these recent wildfires, the department faces wildfire claims from a 2019 fire when its power lines were determined to be the cause of the Getty Fire (resulting in $81 million in claims that were covered by insurance). Claims for the ongoing Palisades Fire could be significantly larger if LADWP is implicated. According to LADWP's wildfire mitigation plan, the utility has in recent years indicated that they consider preemptive deenergization of overhead power lines during threatening conditions to have more significant adverse effects on customer health, safety, and quality of life that outweigh the potential benefits of taking this action. This is a notable difference in policy compared to most other electric utilities in the state that, in our view, creates credit risk—particularly given LADDP's exposures in high-risk wildfire zones.

If the power system is found liable and receives claims that far exceed its liquidity and insurance, it could potentially face additional downgrades, potentially by multiple notches—depending on the amount of the claims. It could create the possibility of Chapter 9 bankruptcy, which the power system could potentially avoid by issuing debt or a securitization—again, all depending on the size of claims.

While the water and power bonds are each separately secured, the two systems are under the same department, have common management, share a line of credit, and even use the same billing system. This highlights the many interdependencies between systems and prompts consideration of the risks facing municipal enterprises charged with providing essential public services.

The downgrade of the department's water system bonds reflects our view of heightened potential for litigation liabilities alongside escalating costs surrounding the adequacy of existing water system assets, resilience, and emergency preparedness—especially during these events. The lower rating also reflects the potential for contagion risk from the power system, as both systems are part of a singular department featuring a plethora of common interdependencies. As with the power system, these water system exposures have led us to reassess the adequacy of water system liquidity that can act as a resource or buffer for these potential liabilities and costs. The risk of litigation directed at LADWP for water supply mismanagement is already present, as lawsuits have been reported by various media.

We downgraded both the power and water systems by the same number of notches because, in our view, there is heightened risk for both systems. However, their creditworthiness can be different and there is no mechanical link between them.

Our CreditWatch placements reflect our view that, over the next 90 days, there is a 50% probability we could further lower our ratings on both the power system and on the water system. An additional downgrade on the power system could be by multiple notches if the utility infrastructure is identified as a source of ignition, or if there's significant additional damage and customer dislocation. We could lower our rating on the water system if the utilities' management of its operational preparedness is determined to have been deficient, if we believe contagion risks with the power system have increased materially, and/or if measures required to make system improvements will impair financial metrics or rate affordability.

If LADWP is found to have not been liable, we could remove the ratings from CreditWatch and assign a stable outlook. In the event we believe there are other credit risks, there could be additional negative rating actions. But regardless of any determination of liability, our downgrade was based on our belief that LADWP is more exposed to physical climate events, and that its insurance and reserves were inadequate at the prior level.

Why does Edison International have a stable outlook, and how does the California Wildfire Fund support credit quality for investor-owned utilities?

At present, our credit rating on Edison International is 'BBB' with a stable outlook. We are continuing to carefully monitor the risk to Edison and could update our views on the ratings or outlook as the situation develops.

To date, Edison has filed two electric safety incident reports with the California Public Utilities Commission related to the Eaton and Hurst fires. Edison stated that it filed these reports out of an abundance of caution because the incidents may meet the Commission's technical reporting criteria.

Our primary focus is on the Eaton Fire that the California Department of Forestry and Fire Protection (CAL FIRE) estimates has damaged or destroyed more than 14,000 acres, about 10,500 structures, and is currently about 87% contained. Edison had reported that no interruptions or electrical or operational anomalies were identified until more than one hour after the wildfire's reported ignition time, based on its preliminary electrical circuit information for the energized transmission lines through that area. The company also reaffirmed this analysis in its public comments during subsequent interviews. To date, no fire agency has yet suggested that Edison's electrical facilities were involved in the ignition of the fire or requested the removal and retention of any of Edison's equipment.

Despite the company's assertions, several lawsuits have already been filed against Edison and its subsidiary Southern California Edison Co. Our stable outlook on Edison is predicated on the credit protections afforded to the company through the passage of AB 1054 in 2019, which established and funded a $21 billion Wildfire Fund for California's investor-owned utilities. This fund serves as a material source of liquidity and financial support in the event of a catastrophic wildfire. The California Wildfire Fund clearly differentiates Edison from investor-owned utilities that operate outside of California, underpinning our view of Edison's credit quality, and is the key credit-supportive component for our investment-grade rating.

Another credit supportive aspect of AB 1054 is the establishment of a liability cap that limits the investor-owned utilities' liabilities for catastrophic wildfires. This curbs Edison's exposure to approximately $4 billion—that, if fully funded with debt, would weaken Edison's funds from operations to debt by about 200 basis points. Edison's consolidated funds from operations to debt for the 12 months ending Sept. 30, 2024, was 14.9%, or about 90 basis points above our14% downgrade threshold.

Another important provision of AB 1054 is its revised standard for determining a utility's reasonable conduct, placing the initial burden of proof on the intervenor. Overall, we've consistently stated that we assess these measures in AB 1054 as highly credit-supportive for California's investor-owned utilities because they temper financial exposure to wildfire liability. Under California's interpretation of the legal doctrine of inverse condemnation, a Californian utility can be financially responsible for a wildfire if its facilities were a contributing cause of the fire irrespective of negligence.

However, we will continuously reevaluate Edison's credit risks. Notably, the California Wildfire Fund does not have an automatic replenishing mechanism. As the fund gradually depletes, credit quality would likely weaken. Under AB 1054, when the Wildfire fund is fully depleted, California's investor-owned utilities not only lose the credit benefit of using the fund as a source of liquidity and financial support—but also lose the credit protection of the liability cap. As such, as fund levels decline, this would likely hurt the credit quality of all of California's investor-owned utilities.

The severity of the current wildfire suggests the potential for a more challenging operating environment going forward due to the ongoing effects of climate change. The catastrophic Camp Fire of 2018 and a persistent increase in the frequency of severe wildfires of this scale, may lead us to reassess California's investor-owned utilities' risk exposure and would likely have a negative impact on ratings. As such, we will continue to actively monitor any subsequent developments and their implications for Edison's credit quality.

The mechanics for reimbursement through the California Wildfire Fund can be best explained through the case study of the 2021 Dixie Wildfire that was determined to be caused by PG&E's equipment. The company has since recorded liabilities of approximately $1.9 billion on its books and has paid out more than $1 billion in third-party claims. The fund has a third-party administrator that reviews all claims. Once the administrator determines that PG&E met its $1 billion deductible, PG&E can seek reimbursement from the Wildfire fund. After all claims are substantially settled, PG&E then undertakes a prudency review with the California Public Utilities Commission (which can typically take between 12-24 months). If the commission finds that PG&E acted prudently, then there would be no requirement for PG&E to reimburse the Wildfire fund.

Alternatively, if the commission determines that PG&E was imprudent or partially imprudent, the utility must reimburse the fund up to its liability cap. The cap is applicable only if the utility has a valid safety certificate, and if the administrator determines that the utility did not act in any manner that showed disregard for the rights and safety of others. For PG&E and Edison, the cap is approximately $4 billion.

In our view, if third-party settlements with Edison reach a significant threshold, Edison would likely follow a similar process. Edison has $1 billion in wildfire-specific insurance, which covers the fund's deductible. Edison also has a state-approved wildfire safety certification and wildfire mitigation plan in place. In assessing the thresholds for potential downgrades of investor-owned utilities, we will look at the key metrics of funds from operations to debt (or FFO, which we define as EBITDA less cash interest and taxes paid). For Edison, we have a downgrade threshold of FFO to debt below 14%.

Prior to the recent Southern California catastrophic wildfires, our base case assumed that Edison's FFO to debt would improve in 2025—incorporating their pending general rate case and recent settlements in the Thomas and Koenigstein fires and the Montecito mudslides that are pending approval with the California Public Utilities Commission.

Comparatively, our downgrade threshold for Sempra is FFO to debt below 15%. Our recent revision of our outlook on Sempra to negative from stable reflects the company's minimal financial cushion relative to its downgrade threshold. Sempra faces both high capital-spending needs and rising operating costs, which pressures its financial measures. Furthermore, Sempra's utilities recently received several rate case orders and after fully incorporating them into our base case, we expect that Sempra's consolidated FFO to debt will likely remain below our downgrade threshold.

Many factors support the California Wildfire Fund's stability, particularly that it depletes very gradually and over a prolonged process. First, third parties' lawsuits against utilities could take substantial time to fully resolve or to ultimately settle. Only after the claims are paid by the utility in an amount that exceeds their wildfire insurance does the utility then file for reimbursement from the fund. Even in the best-case scenario, this process is likely to take several years.

Additionally, the fund is administered by the California Earthquake Authority, which has the right to issue securitization bonds backed by the non-bypassable charge on electric customers' bills. If the authority decides to issue securitization bonds, that would ultimately increase the fund's assets to about $21 billion. To date, the authority has not made the decision to issue the securitization bonds, believing that it's not yet necessary.

Because availability and access to the fund is a fundamental aspect of credit quality for California's investor-owned utilities, a material depletion of the fund could potentially weaken ratings.

What factors may lead S&P Global Ratings to take rating actions in California's water and sewer sector?

We rate several large and small water and sewer utilities within the wildfire boundaries. We are evaluating the potential effects on the associated service areas in the near-term and underlying infrastructure over the longer-term. Additionally, we are assessing their likely impact on affordability and financial performance, especially considering California's limitations regarding rate-raising and cost of service.

Our criteria include an evaluation of both emergency preparedness (the effectiveness of communication; wildfire mitigation; planning, prevention, and response; and system redundancies; among others) and asset adequacy (including whether the assets are sufficient to provide and maintain basic services relative to the known risks and are hardened sufficiently to meet higher risks). This is handled directly through our operational management assessment, which is a critical credit driver and vulnerabilities can cap ratings.

In analyzing financial performance, we assess the costs associated with wildfire recovery in the service area and for system assets. The length of time it takes to rebuild could affect revenue collections, which we model and stress to determine potential consequences. One of the most common operating challenges associated with wildfires in the water and sewer utilities sector is contamination to existing supply—which can increase treatment costs, render reservoirs completely unusable, and can be prolonged for years. Secondly, we assess any reinvestment that will be necessary to harden infrastructure to the levels needed to meet heightened wildfire risks such as these.

Given the magnitude of this catastrophe, the statements made publicly regarding water sufficiency and operational deficiencies, and the governor's request for investigation, we believe it's likely that substantial system improvements will be required, many of which we expect will be costly. Lastly, we assess the exposure to increasing liabilities and litigation that's associated with the adequacy of assets and the response.

The evolving nature of the situation creates uncertainty and lack of clarity on the potential cost associated with the liabilities of litigation. In our view, LADWP faces heightened exposure for litigation, given media reports of legal action alleging mismanagement of supply during the Palisades Fire. While lawsuits don't necessarily mean claims will lead to liability outcomes, we view this risk as elevated.

Against this backdrop, several of these utilities also face challenging water supply issues and regulatory mandates, which compound these pressures and the already rapidly rising cost of service. We believe this could lead to greater repair fatigue or margin compression.

Short-term cost implications and long-term assumptions for future adaptation are the primary credit drivers for the water sector—with an already significant capital plan and associated financial capacity and affordability consequences.

How will insurers absorb losses associated with these wildfires?

Across the U.S., 32 states (including California) utilize the Fair Access to Insurance Requirements plan (FAIR)—which originated from the 1968 Civil Rights Act to aid homeowners facing discrimination in attaining homeowners' insurance to now also providing coverage for properties in disaster- and fire-prone areas where commercial providers are exiting. FAIR plans are authorized by state statute, with premiums paid at the time of annual renewal from policyholders and in some cases from private insurers as a right to provide coverage in the state. (FAIR is not operated by state agencies nor funded within state budgets or taxpayer dollars.)

While we do not rate FAIR plans, we monitor the growth of these plans as anecdotal to rising affordability issues.

According to California's latest FAIR plan reports, the state's total exposure was $458 billion as of September 2024—covering 250,000 dwellings and 8,000 commercial properties, and $1.4 billion in written premiums last year. California's FAIR plan policies cap coverage at $3 million for residential coverage and $20 million for commercial coverage. Considering that the average home value in the Pacific Palisades area was above this coverage capacity, the state FAIR plan has reported $5.89 billion in property value coverage there, as well as more losses from other fires (Altadena FAIR covered properties are valued close to $1 billion). The tremendous devastation in that area is evident, but the total amount of possible claims and losses is yet to be seen. The FAIR plan reportedly has $377 million in cash, and roughly $5.78 billion in reinsurance available to begin to address the coming claims.

Should that not be enough to cover claims, FAIR would raise written premiums on all plan holders and private policyholders and can assess the insurers themselves. FAIR has passed this assessment onto insurance before, most recently during the 1994 Northridge earthquake which saw significant damage in the Los Angeles area. California's insurance regulator has also announced that the first $2 billion beyond what FAIR is able to cover will be split evenly between assessments on insurance companies in the state and policyholders. Companies would contribute in-line with their percentage of the California market they insured in the state over the past two years. For example, if an insurer had 20% market share in California, they would be responsible for 20% of the assessment of the policy and the remaining would be assessed on the policyholders.

If the FAIR plan lacks necessary liquidity or in some way becomes insolvent, there's no obligation for the state of California to help in any financial way. Overall, we're expecting that the FAIR plan will have significant obligations to cover, but the structure of that entity and the design of its provisions to respond will be used to help cover those costs.

In our view, insurance in California will be more costly after these fires. As physical climate risks have increased, the California insurance market has evolved and in recent years we've observed an exodus of commercial insurers. Authorities have made regulatory enhancements in hopes of keeping and luring providers back—allowing insurers to use a catastrophe model to justify premium increases and allowing providers to pass reinsurance costs to policyholders. These provisions alone would likely have prompted some premiums to increase in the state, but the combination of the worsening wildfires and the potential for the FAIR plan to pass on assessments will likely see premiums increase even more.

The significant wildfire losses in the first two weeks this year could rapidly deplete the catastrophe budgets of U.S. primary insurers. This early strain may lead to earnings pressure later in the year, especially if 2025 proves to be above average for catastrophes. However, we believe our rated primary insurers can bear the brunt of the Los Angeles wildfire losses, after strong results in the first nine months of 2024 (and likely for the year), combined with a material reduction in policy coverage in wildfire prone areas in California.

The impact from the wildfires is, in our view, manageable for our rated global reinsurers, with no significant effect on earnings due to the event's magnitude and timing.

What is the status of the credit ratings for the state of California, the city of Los Angeles, and their local governments?

In our view, the state of California and Los Angeles County have a notably strong economic and tax base, and as such will be resilient through this disaster. We maintain a 'AA-' credit rating with a stable outlook on the state of California, which is slightly below average for U.S. states (with our median rating for the state sector being 'AA+').

Credit attributes we've cited for supporting that rating include California's dependency on volatile capital gains revenues, the frequency of physical climate disasters, and recovery costs, among others—which have recently affected the state's large and complex budget that was submitted in the same period as these wildfires started.

Governor Newsom released a proposed budget on Jan. 10 and now the legislature will begin deliberation. The fiscal 2026 proposal did not have many new programs, and we believe it represents a continuation of current policy. Of note though, related to the fires, this proposal includes doubling the budget for CAL FIRE and hiring 2,400 additional firefighters.

We see the transparency of California's operating data as a credit strength. We're able to check publicly shared monthly revenues and expenditures, annual cash flow estimates, and regular updates to forecasts. When the state revisits the current year and the following year budget expectations in its May Revise, we believe this may be even more informative than normal, considering California will have a clearer picture of the costs associate with the fires and the actions needed for further recovery. At this time, we are not expecting a state rating impact from the Los Angeles County wildfires.

We expect federal funds will cover a significant share of cleanup and recovery costs (with the Biden Administration committing to covering removal costs for six months) as seen with other natural disasters across the U.S. in in recent years. This will alleviate some of the short-term expenditure pressures. State officials have informed us of their efforts to expand staffing in the Fire Zone to help expedite recovery programs and explore other measures to support those facing losses to rebuild as quickly as possible. Governor Gavin Newsom has already asked the state legislature for $2.5 billion for disaster response and rebuilding and repairing schools.

Last week, we placed our 'AA' long-term rating on the City of Los Angeles on CreditWatch with negative implications. While we're not aware at this time of any specific wildfire litigation against the city that is unrelated to its utilities, our recent action reflects our belief that the city's general credit quality could weaken to some degree if the credit quality of the utilities materially weakens further.

Within our holistic analysis of the city, we recognize that LADWP and the city are the same organization, charged with providing services to the same constituency. As such, we believe that the city's general credit is not entirely insulated from any impacts the LADWP may face, given the various aforementioned financial, economic, and governmental interdependencies. Because the LADWP provides essential services to the Los Angeles community, its ability to do so in a manner that is both effective and affordable to the population will play into both long-term economic stability and the government's own fiscal sustainability. Our view on the interconnected nature of the city and its utilities does recognize the city's incentive to support those efforts.

Independent of any financial implications of the fires, our CreditWatch action on Los Angeles also acknowledges weakening financial trends the existed prior to this most recent wildfire event. Regardless of specific litigation filed against the city or its utilities, our credit risk assessment will incorporate its heightened risk exposure to climate events and the potential financial implications.

For local governments, we continue to monitor the associated impacts of the wildfires for issuers with tax-backed securities. Our analysis considers both the tax base and the overall operating profile of the entity. Across Los Angeles County's affected areas, we anticipate varying degrees of credit impacts—depending on the extent of any assessed value losses or presence of any forms of revenue flexibility. We are closely watching tax increment and special assessment credits that could face acute risk if their taxpayer bases are materially affected. By design, these closed financing structures have relatively narrow taxing boundaries, limited excess liquidity, and may be sensitive to the impacts on the underlying tax base.

We see the potential for certain local governments with smaller tax bases and limited liquidity or reserves to come under credit pressure if they face significant revenue disruptions from reduced assessed values or decreases in local economic activity. In the short-term, we anticipate that affected local governments will lean on reserves to manage this potential period of lost revenue. In the long-term, rebuilding efforts could eventually support revenue growth if we see a recovery in assessed value or a boost in consumption-based taxes. Comparatively, full-service municipal government and school districts will have greater ability to adjust to changing circumstances, whether those are financial or economic.

The Impact Of The Los Angeles Wildfires On California's Property Insurance, Housing Finance, And State Creditworthiness - S&P

Key Takeaways

- The losses from the Los Angeles wildfires are expected to cause property insurance carriers to raise rates and/or reduce coverage options in California and other at-risk areas. This could be exacerbated in the likely event that the California FAIR Plan falls short of funds. Regulatory reform in the state could eventually improve homeowner insurance accessibility and alleviate the strain placed on the FAIR Plan.
- However, anticipated increased insurance premiums will further strain home affordability. This could translate into downward pressure on home values for a state that has already been experiencing muted population growth.
- The rising insurance costs and mounting affordability challenges could weigh on the creditworthiness of the state of California over time. Currently, however, our rating outlook is stable.

The recent and currently active Los Angeles County wildfires have reached unprecedented levels of insured losses. S&P Global Ratings details the fires' likely impact on California's property insurance, housing finance, and state creditworthiness.

Continue reading. [Free Registration Required]

23 Jan, 2025 | 23:36

WSJ: L.A. Fires Will Drain Public Coffers From Pasadena to Utah

Taxes and fees are taking a hit ahead of a costly rebuild

Fires have left parts of Los Angeles in ruins. They have also damaged local-government finances.

Recovering from the devastating wildfires will be lengthy and expensive. Property taxes are due for a hit because owners of destroyed properties only owe duties on the underlying land. Burned homes and evacuated residents won't be paying monthly water or electric bills.

The region's concentration of wealthy residents and booming businesses means money for infrastructure repairs and public-worker salaries will arrive eventually, analysts said. But the initial shortfalls are rippling across the state and even spreading to bond markets. Here's what to know:

Federal and state aid will cover a lot—but not the whole bill

Santa Rosa, a city of about 180,000 in Northern California wine country, is still finishing up repairs on its roads and parks seven years after wildfires destroyed about 5% of homes there. In the months following, the city budgeted conservatively and "drew down our reserves like crazy," said Santa Rosa finance chief, Alan Alton.

"Cities' budgets are built to perform a service to the community," Alton said. "It's not in our plan to completely rebuild infrastructure from the ground up."

Federal and state reimbursements ultimately covered more than 90% of the rebuild and cleanup, Alton said, and the state put $1.6 million toward a roughly $10 million shortfall in property taxes from destroyed areas. Santa Rosa got another $95 million from a lawsuit with PG&E.

In L.A., former President Joe Biden had said the Federal Emergency Management Agency would cover 100% of response costs over the next six months. After that, FEMA reimburses 75%, unless President Trump decides to increase it. Officials in Sacramento are still determining whether they plan to backfill L.A. area property taxes. Both the state and city have extensive financial reserves.

But public schools and community colleges around California could take a hit. California divides a pot of money among school districts to round out what they collect in property-tax revenues. Property-tax shortfalls in the Los Angeles and Pasadena school districts would mean less money for other schools and community colleges in California.

The bond market is rattled

Almost $60 billion of outstanding local-government bonds are backed by revenues that come at least in part from areas inside the wildfire boundaries, according to an analysis by ICE Data Services. Prices are falling on debt sold to finance L.A.'s sewers and renovate Altadena's public library.

One big concern for investors: lawsuits. Under California law, utilities can face strict liability for property damage caused by their power lines, regardless of fault. Ratings firms warned this week that the Los Angeles Department of Water and Power and Southern California Edison could face big payouts if they are found responsible. The cause of the L.A.-area fires is as yet undetermined.

L.A.'s power department, unlike others, doesn't proactively shut off parts of its system during windstorms to reduce the risk of sparks from power lines. The department says that it wants to avoid cutting power to critical services around the city and that it takes other fire-prevention measures. More than $3 billion worth of its bonds have changed hands since the fire, often at discounts of around 5%.

Municipal-bond prices have taken a hit even for regional power providers that sell energy to Los Angeles, including the Intermountain Power Agency, a coal-fired plant in Western Utah, according to ICE data.

Bond analysts, meanwhile, are poring over fire-impact maps to check on “dirt bonds”: financing for community projects backed by fees from just a few neighborhoods. In one damaged patch of Altadena, 272 homes were partway through paying off $7 million in uninsured debt sold 12 years ago, bond filings show. It isn’t clear how many of those houses are still standing.

L.A. property values could go up

Disasters can bump up some revenues such as taxes on hotel stays, restaurant meals and building materials. California’s unusual property-tax laws could lead to a particular jump when homeowners choose to sell rather than rebuild from the fires.

To protect longtime residents from skyrocketing tax bills, the tax value of land can’t increase by more than 2% a year. Only when properties change hands does the land reset to market value. If a lot of houses get sold, swaths of the city could end up paying significantly higher taxes.

Property-tax bills won’t change much for people who stay and rebuild their houses as they were. But those who expand their homes will have the additional square footage reassessed at market value, further adding to local tax collections.

Larry Clark, a 66-year-old retired financial consultant, rebuilt his home in Oakland, Calif., after a 1991 wildfire destroyed it. When he and his wife were taxed only on the value of the land, he said, his yearly property-tax bill dropped to $1,500 from about $3,000. But it jumped to $4,500 less than two years later when the couple, ready to become parents, built a new, bigger home.

The Wall Street Journal

By Heather Gillers

Jan. 23, 2025

[S&P U.S. Not-For-Profit Utilities 2025 Outlook: Rough Water Likely Will Underscore Credit Trends]

Sector View: Negative

- Rising costs will continue to pressure margins. Sector-specific capital and operating costs continue to outpace broad inflation measures and, in many cases, have not been fully passed through to ratepayers. Although some costs have abated relative to recent years, payroll growth, staffing shortages, construction costs, and higher baseline interest rates will continue to drive expenditure increases.
- Capital investment needs are accelerating. Aging infrastructure is one of the most pressing matters in the water utility sector, with many assets nearing or exceeding their useful lives. Asset failures have led to rapid liquidity deterioration, and regulatory and climate hazards will exacerbate capital needs and require proactive operational management.
- Affordability is a widening credit issue, especially for the most vulnerable portion of the population. The sector has historically been underpinned by strong rate-setting flexibility, but we have observed a greater reluctance to fully pass through costs to ratepayers. This has resulted in narrowing margins and weaker liquidity, which we expect will continue in 2025, given rising revenue requirements and economic headwinds from potential federal policy shifts.

Continue reading.

15 Jan, 2025

S&P U.S. Public Finance Housing 2025 Outlook: The Stable Era Endures, Underpinned By Strong Management

Sector View: Stable

- Not-for-profit lenders likely will continue building balance sheets with bond execution. Despite the Federal Reserve's planned monetary easing in 2025, mortgage interest rates could remain higher for longer and keep tax-exempt and taxable debt issuance at all-time highs.
- Federal government support for not-for-profit developers is unlikely to wane in near term. The incoming administration may reconsider federal funding for some health and human service programs, but nationwide housing affordability problems likely will remain a key policy issue.
- Historically, experienced management teams have pivoted to sustain stable financial performance and profitability. We believe not-for-profit lenders and developers could innovate to preserve and develop affordable housing amid rising federal policy uncertainty.

Continue reading.

16 Jan, 2025

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

View the Charter School Rating Actions.

17 Jan, 2025

S&P U.S. Charter Schools 2025 Outlook: Stability For Now, With Pockets Of Pressure

Sector View: Stable

- S&P Global Ratings' view of the U.S. charter school sector remains stable, supported by ongoing healthy demand and steady-to-growing per-pupil funding, for now. Many schools continue to hold their market position or expand, while maintaining healthy liquidity and operating margins.
- During 2025, we expect schools will focus on managing expense pressures and persistent teacher shortages absent federal emergency dollars and amid slower economic growth. Competition for students remains elevated, but budget pressures are most pronounced at the lower end of the ratings scale.
- A new federal administration with different priorities could create opportunities, or new challenges, for the sector.

Continue reading.

22 Jan, 2025

S&P U.S. Higher Education Rating Actions, 2024

In 2024, S&P Global Ratings assigned three new ratings, raised 13 ratings, and lowered 24 ratings on U.S. colleges and universities. Our rating actions during 2024 continue to demonstrate a widening in credit quality for the third year in a row, as the majority of the downgrades occurred at the lower end of the ratings distribution. Strong institutions maintained their market position, healthy balance sheets, and fundraising, while struggling institutions faced enrollment pressure; operational stress; and, more frequently, liquidity issues.

Continue reading.

23 Jan, 2025

Protecting Bonds to Build Infrastructure and Create Jobs: GFOA Data Brief

Read the GFOA Brief.

GFOA | Jan. 22

Understanding Financing Options Used for Public Infrastructure: GFOA Primer

View the GFOA Primer.

GFOA | Jan. 22

Threat Now Imminent, Advocacy for Infrastructure Financing Tool Falling Way Behind in Tempo.

- Imminent Threat to Municipal Bond Tax-Exemption: The House Committee on Ways and Means is considering a full repeal of tax-exempt interest for municipal bonds.
- Urgent Call for Advocacy: Public entities and state and local leaders have a limited window in January and February 2025 to advocate for the preservation of the municipal bond tax-exemption. The report emphasizes that education and advocacy efforts are currently way behind in tempo compared to the legislative process.
- Significant Financial Impact: Eliminating the municipal bond tax-exemption could raise borrowing costs by $824 billion over the next ten years, translating to an additional financial burden of approximately $6,554.67 per American household. This change would hinder the ability of state and local governments to fund critical infrastructure projects, impacting public services and economic growth.

Continue reading.

by Tom Kozlik, HilltopSecurities

January 24, 2025

How to Prepare for Your Next ARPA Reporting Deadline.

The American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) have provided a vital lifeline to cities, towns and villages across the country. As reporting deadlines approach, it is important to prepare upfront to ensure compliance as well as maximize the impact of these funds. Here are some tips and tricks to help you navigate the reporting process with ease.

Key Deadlines

- **January 31, 2025**: Quarterly reporting deadline
- **April 30, 2025**: Annual reporting deadline for non-entitlement units (NEUs) and other annual reporters
- **December 31, 2026**: All ARPA State and Local Fiscal Recovery Funds must be spent

We recommend marking these dates on your calendar and planning backward to allow ample time for preparation and submission.

Continue reading.

National League of Cities

by Dante Moreno

January 24, 2025

Muni Debt Poised for Strong Year as Higher Yields Woo Investors.

- **Bankers, investors expect strong flows from retail buyers**
- **Possible tax changes remain a threat but market is mobilizing**

Higher municipal-bond yields are spurring a buying opportunity for investors looking for relative value against taxable fixed-income securities.

The state and local-government debt market is poised for another strong year in terms of issuance and demand from retail buyers, provided federal lawmakers maintain the bonds’ tax-exempt status, according to investors and bankers who took part in a Bloomberg panel discussion on Thursday. Ten-year benchmark muni yields jumped to 3.28% earlier this month, the highest since November 2023.

“On an absolute yield basis after-tax, munis are more attractive than every other fixed income asset class,” Rachel Betton, managing director at JPMorgan Asset Management, said at the event. “People are going to continue putting money into munis, assuming they’re tax-exempt.”

Continue reading.

Bloomberg Markets

By Erin Hudson

January 24, 2025

[2025 Municipal Bond Sector Outlook: Stability and Resiliency.]

Municipal Credit Remains Strong as Focus Turns to Policy Risks

Municipal credit remains strong as we enter 2025. We see a soft landing as the most likely economic scenario given the resilience of economic activity and easing of inflation. In this scenario, growth will continue to slow, reaching below trend, and unemployment will continue to modestly rise, but not to recession levels.

This scenario should portend a modest increase in state and local tax revenues, keeping our sector outlooks largely anchored near stable. As a result, we have made only slight adjustments compared to last year's outlook. We believe resiliency has improved across municipal credit, as reserves remain strong, providing a cushion if the economy pulls back more than we expect.

This confident economic view belies an unsettled federal policy picture, as the election resulted in a Republican sweep, albeit by an exceptionally tight margin in the U.S. House of Representatives. Key vulnerabilities to municipal credit include threats to the Affordable Care Act (ACA), federal budget cuts that could push costs down to state and local governments, and changes to higher education policies.

Continue reading.

advisorperspectives.com

by Northern Trust, 1/21/25

[Muni Bonds: Active Management Stepping Into Spotlight]

There have been recent increases by 10-year Treasury yields. And there's been talk that the Federal Reserve will tread cautiously this year regarding interest rate cuts. So the pairing of active management and fixed income could be as important as any time in recent memory.

That could prove muni bonds, too. And that could spotlight opportunities with ETFs like the ALPS Intermediate Municipal Bond ETF (MNBD). Following the tragic wildfires in Los Angeles this month, some municipal bond experts believe it's possible California munis will experience downside.

That's pertinent because the Golden State is one of the largest issuers of municipal debt. That trait is reflected by many passively managed muni ETFs. However, actively managed funds such as MNBD have flexibility. They don't necessarily need to be heavily allocated to bonds issued by California and New York, among other big issuers.

MNBD Diversification Matters, Too
The exact financial toll of the wildfires isn't yet determined, and estimates are changing by the day. Likewise, it's unknown if California or Los Angeles County will flood the market with new municipal bonds to deal with reconstruction efforts.

"We believe that the wildfires may have an impact to some municipal bond issuers in the [area. But] the broader impact to other bonds in the state or to the national muni market is likely limited," noted Cooper Howard of Charles Schwab. "However, for [investors concerned]about the impact of the wildfires, or weather and climate disasters more generally, there are actions they may want to consider taking."

It's likely correct that fire-related implications in the municipal bond market, if any, will be confined to California. And that could highlight the benefits of active funds such as MNBD. That's because managers can fine-tune exposures due to current events, if needed.

Potential Minimal Risk to L.A. County's Bonds
Against the backdrop of potential municipal bond market risk related to California, active management could be all the more important. That's because there are thousands of bonds with some exposure to fire-affected areas. And that implies it would be nearly impossible for passive muni funds to avoid all of those issues.

"There currently are more than 4,527 individual bonds outstanding (measured by CUSIP [number). That accounts] for $70 billion, in the fire-affected area, according to research provider Bloomberg Intelligence," added Howard. "The risk to each individual issuer is not the [same. It] will depend on the issuer's financial position, how the issuer derives revenues, the bond's legal protections, and other factors. We want to [emphasize that although]an issuer may be located in Los Angeles County, there may be minimal risk to its bonds."

etftrends.com

by Todd Shriber

January 21, 2025

Muni Monthly: December 2024

This month's Muni Monthly covers performance, supply and demand technicals, fundamentals and valuations for December 2024.

Performance overview: Muni yields moved higher as the Treasury curve steepened.

Fixed-income generally sold off in December as yields moved higher due to stronger-tha--anticipated GDP data, which led market participants to question the path of inflation and interest rates in 2025. The Treasury yield curve steepened, with short maturities moving up to 17 basis points (bps) lower, while longer maturities moved up to 44 bps higher. Muni market yields moved higher across the curve, generally underperforming Treasuries amid the rate volatility and weakening supply and demand technicals.

The Bloomberg Municipal Bond Index returned -1.46% in December. Longer-duration municipals underperformed amid the rate volatility, as did lower investment-grade and high-yield municipals.

All told, the Bloomberg Municipal Bond Index closed the year up 1.05%, outperforming Treasuries but underperforming investment-grade credit indices. High-yield municipals posted the strongest returns across the muni market, returning 6.32% during the year. The longer-duration Bloomberg Taxable Municipal Bond Index returned -2.46% in December, leading year-to-date returns to 1.57%, outperforming the Bloomberg US Treasury Index (0.58%) and the Global Aggregate (-1.69%).

Continue reading.

Franklin Templeton

Jan 20, 2025

Strong Returns Ahead? Key Themes for Municipal Bond Investors in 2025.

With the start of the year, several asset managers and investment firms are beginning to publish their outlooks for the year ahead for both the equity and fixed-income markets. For investors and financial advisors, these outlooks can serve as a blueprint for asset allocation decisions, sector rotation, and additional investment.

For municipal bond investors, that means paying attention to what asset managers like Nuveen have to say.

The firm was one of the first to begin underwriting municipal bonds before 1900 and has since grown into one of the world's largest municipal debt managers. As such, its bench strength within the sector is impressive. So, when the firm talks about munis, investors should listen. With that, a new paper by the group highlights what investors should expect this year.

Continue reading.

dividend.com

by Aaron Levitt

Jan 21, 2025

Municipal Outlook 2025: Battling Headwinds, Harnessing Tailwinds

Four strategies for navigating crosswinds in the municipal bond market.

The municipal bond market closed 2024 much as it began—highly volatile—providing substantial opportunities for active managers. Broader muni returns disappointed for the year, but bright spots included muni credit, which significantly outperformed higher-rated debt.

Uncertainty around the path forward for interest rates continues to dominate the muni backdrop. While the Fed has signaled it sees some inflation risk, our base case is a short pause followed by more rate cuts.

In this environment, we expect muni returns to be primarily driven by income in 2025. But in our view, the market also faces potential headwinds, including a flood of expected new issuance and renewed scrutiny of muni bonds' tax-exempt status.

Continue reading.

alliancebernstein.com

Jan 23, 2025

The Investment Conversation: What's Ahead for Municipal Bonds?

In this podcast, Lord Abbett Portfolio Manager Dan Solender examines the factors likely to drive municipal-bond market performance in the coming year.

Andy D'Souza: Welcome back to The Investment Conversation. I'm Andy D'Souza, partner and chief marketing officer here at Lord Abbett. As part of our 2025 investment outlook, we're going to talk with our investment leaders about key themes for the markets in the coming year. In this podcast, our guest is Lord Abbett's head of tax-free fixed income, Dan Solender, who's also a partner of the firm. Dan, welcome to the show.

Dan Solender: Thank you. Great to be here.

D'Souza: It's great to have you, Dan.

Let's get right into it today. Want to cover a few different topics to follow up on our written outlook for 2025. Namely, wanted to go through sort of the backdrop as we enter into now, we are now in 2025. I also want to touch on fiscal policy, as this is something that's very topical in the markets currently.

And then, looking ahead more about the challenges and opportunities, looking at things like credits, maturities, sectors, and industries. But if we take a step back and go back to the idea of where we are in '25 in January looking ahead, let's paint the landscape for the listener a little bit here across these four metrics.

Continue reading.

Lord Abbett

By Andrew D. D'Souza, Daniel S. Solender

January 24, 2025

Corporate and Municipal CUSIP Request Volumes Decline in December.

NORWALK, Conn., Jan. 15, 2025 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for December 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 decrease in request volume for new corporate and municipal identifiers. On an annualized basis, total identifier request volume surged in 2024 versus 2023 totals.

North American corporate CUSIP requests totaled 7,139 in December, which is down 10.2% on a monthly basis. Year-over-year, North American corporate requests closed 2024 up 11.0% over 2023 totals. The monthly decrease in volume was driven by an 18.8% decline in requests for U.S. corporate debt identifiers. Request volumes for short-term certificates of deposit (-9.3%) and longer-term certificates of deposit (-6.4%) also fell in December.

The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – fell 13.3% versus November totals. On a year-over-year basis, overall municipal volumes were up 9.0%. Texas led state-level municipal request volume with a total of 76 new CUSIP requests in December, followed by New York (73) and New Jersey (62).

Continue reading.

Provided by GlobeNewswire Jan 15, 2025 5:30am

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

View the Ratings Actions.

13 Jan, 2025

S&P U.S. Not-For-Profit Public Power, Electric Cooperative, And Gas Utilities 2025 Outlook: Climate Change, Energy Transition, And Load Growth Underlie Negative Trends

Sector View: Negative

- Not-for-profit (NFP) public power, electric cooperative, and gas utilities remain susceptible to negative rating actions because of rising operating expenses and the costs of direct and indirect capital investments. These pressures constrain rate-making flexibility and remain an obstacle to timely and adequate cost recovery.
- The catalysts for increasing costs include utilities' initiatives to strengthen infrastructure to better withstand more frequent and severe extreme weather events, investments to reduce harmful generation emissions and byproducts, and generation additions to support developing technologies' substantial energy requirements.
- Utilities with limited customer bases can face obstacles to efficiently allocating costs, making their financial performance and creditworthiness more vulnerable to cost-induced erosion than those with larger and more diverse customer bases.
- S&P Global Ratings' negative sector outlook reflects its opinion that a subset of the utilities face greater susceptibility to lower ratings, but this view does not indicate expectations of widespread downgrades. Many NFP utilities continue to achieve financial performance that provides latitude to address cost increases without eroding creditworthiness.

Continue reading.

14 Jan, 2025

S&P U.S. Not-For-Profit Utilities 2025 Outlook: Rough Water Likely Will Underscore Credit Trends

Sector View: Negative

- Rising costs will continue to pressure margins. Sector-specific capital and operating costs continue to outpace broad inflation measures and, in many cases, have not been fully passed through to ratepayers. Although some costs have abated relative to recent years, payroll growth, staffing shortages, construction costs, and higher baseline interest rates will continue to drive expenditure increases.
- Capital investment needs are accelerating. Aging infrastructure is one of the most pressing matters in the water utility sector, with many assets nearing or exceeding their useful lives. Asset failures have led to rapid liquidity deterioration, and regulatory and climate hazards will exacerbate capital needs and require proactive operational management.
- Affordability is a widening credit issue, especially for the most vulnerable portion of the population. The sector has historically been underpinned by strong rate-setting flexibility, but we have observed a greater reluctance to fully pass through costs to ratepayers. This has resulted in narrowing margins and weaker liquidity, which we expect will continue in 2025, given rising revenue requirements and economic headwinds from potential federal policy shifts.

Continue reading.

15 Jan, 2025

S&P U.S. Public Finance Housing 2025 Outlook: The Stable Era Endures, Underpinned By Strong Management

Sector View: Stable

- Not-for-profit lenders likely will continue building balance sheets with bond execution. Despite the Federal Reserve's planned monetary easing in 2025, mortgage interest rates could remain higher for longer and keep tax-exempt and taxable debt issuance at all-time highs.
- Federal government support for not-for-profit developers is unlikely to wane in near term. The incoming administration may reconsider federal funding for some health and human service programs, but nationwide housing affordability problems likely will remain a key policy issue.
- Historically, experienced management teams have pivoted to sustain stable financial performance and profitability. We believe not-for-profit lenders and developers could innovate to preserve and develop affordable housing amid rising federal policy uncertainty.

Continue reading.

16 Jan, 2025

[Fitch: U.S. Higher Education Navigating Numerous Changes in 2025]

Fitch Ratings-Chicago/New York-15 January 2025: While the universe of Fitch-rated U.S. colleges remain fundamentally stable in performance, cracks will continue to surface this year, as discussed in a webinar hosted by Fitch Ratings yesterday.

Fitch maintains a deteriorating sector outlook for higher education in 2025, driven in part by a softer operating environment, reduced financial flexibility, a fragile international enrollment pipeline, and an expectation for increased consolidation and college closures. Though much of the sector's unrest comes from unrated colleges, even rated institutions at both ends of the rating spectrum are now also facing reduced an increasingly challenging fundraising environment, shrinking class sizes and more intense cost control pressures.

The perceived value of higher education versus its cost is a long-term behavioral shift that colleges will have to navigate, with the incoming administration being an important barometer for how the sector may fare, according to Fitch Senior Director Emily Wadhwani.

"With tuition growth still moderating, flattening enrollment prospects, and a great deal of policy uncertainty at both state and federal levels, margins will likely remain very modest at best in fiscal 2025," said Wadhwani. "Further, endowments have benefitted from recent market gains, but access to ready liquidity will continue to be critical as colleges navigate operating and environmental uncertainty."

State funding should help keep financial risk at bay in the near term, a bright spot of sorts tempered by more intangible risks the sector faces. Key person risk is a particular area of concern, with Wadhwani pointing to more 'turnover at the top' as average tenure of university presidents continues to decline. "There is also an elevated percentage of university staff that are very likely looking for new employment over the next 12 months," said Wadhwani.

A replay of the webinar is available at www.fitchratings.com along with Fitch's 2025 outlook report.

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Additional information is available on www.fitchratings.com

[Fitch: Real Estate, Demographics Support U.S. LPCs' Steadily Improving Trajectory]

Fitch Ratings-New York-14 January 2025: Related Content: Fitch Revises Sector Outlook for U.S.

Life Plan Communities to Neutral for 2025

Baby boomers approaching retirement age coupled with a more favorable housing market will serve as tailwinds for U.S. life plan communities (LPCs) in 2025, according to Fitch Ratings analysts during a webinar they hosted yesterday.

Many LPCs did the hard work of right-sizing their staffing component during the worst of the pandemic. As a result, an upswing in positive Outlook revisions for select LPCs beginning late last year led Fitch to revise its sector outlook to neutral from deteriorating. Staffing remains LPCs' most formidable headwind, although key labor cost indicators are improving. Also, unlike NFP hospitals, Senior Director Margaret Johnson said that LPCs have been better able to retain existing staff and minimize use of agency assistance while taking health beds out of service as needed with more ease.

Going forward, demographics will be more favorable for LPCs. "Baby boomers, or what has been called the 'silver tsnumani' generation, are now at retirement age and will need to sell their home in order to gain entrance into a life plan community, which serves as a positive both for LPCs and for the housing market as a whole," said Johnson. Another ancillary benefit of a stabilizing housing market is improving construction costs that have made the environment for LPCs expansion projects more favorable, a plus for expansions financed pre-pandemic that are now filled and starting to mature.

The sector is without its areas of weakness, chief among them skilled nursing facilities (SNFs). Already closely tethered to government reimbursement programs like Medicaid, 'a heightening of regulations such as minimum staffing ratios would add to increased operating costs and exacerbate headwinds for those LPCs with a high exposure to SNF operations,' said Johnson.

A replay of the webinar is available at www.fitchratings.com along with Fitch's 2025 outlook report.

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Barclays Memo Reveals 'Talking Points' as US Banks Leave Climate Alliance.

- **UK lender remains as member of NZBA banking alliance**
- **Biggest Wall Street banks opted to leave group in past month**

Barclays Plc has sent a memo to staff in anticipation of questions regarding its status inside a climate alliance that's been abandoned by Wall Street's biggest banks.

The London-based lender is instructing employees to "not discuss the topic unprompted," but has provided a list of “talking points” if clients ask, according to a memo seen by Bloomberg. The internal guidance follows large-scale defections from the Net-Zero Banking Alliance in the US over the past month amid Republican attacks on climate finance. Barclays remains a member.

The development suggests that the disruptions rocking NZBA in America are being felt on the other side of the Atlantic. So far, European banks including ING Groep NV, Deutsche Bank AG and Standard Chartered Plc have declared their continued commitment to the alliance. In its memo, Barclays stopped short of doing the same.

Continue reading.

Bloomberg Markets

By Alastair Marsh

January 14, 2025

Banks Claim They’re Still in the Climate Fight. Are They?

Having fled a major climate alliance, some worry Wall Street giants may lose their stomach for financing a low-carbon transition.

The exodus of Wall Street’s biggest firms from prominent climate groups has been greeted with triumphant cheers from Republicans in the US who accuse such coalitions of colluding to boycott the fossil-fuel industry. It could prove to be a hollow victory, though.

That’s because, almost without fail, every lender that’s recently left the Net-Zero Banking Alliance (NZBA), including JPMorgan Chase & Co., Bank of America Corp., Citigroup Inc. and Morgan Stanley, has taken great pains to claim that quitting the group wasn’t the same as quitting their net-zero goals (or helping their clients achieve their targets). BlackRock Inc. for example said its departure last week from the Net Zero Asset Managers initiative “doesn’t change the way we develop products and solutions for clients or how we manage their portfolios.”

The question to ask therefore is whether the willingness of departing firms to finance a low-carbon transition and pivot their business towards net zero will wane, since they’re no longer part of groups that encourage such practices. And perhaps also whether their public claims that they will stay the course are meant to mollify clients and the broader public, both of which may not be as interested in preserving the fossil fuel industry as Big Oil and the ascendant American right.

Continue reading.

Bloomberg Green

By Alastair Marsh

January 14, 2025

Elite Prep Schools Flood Muni Market After Regional-Bank Tumult.

- **First Republic, SVB failures in 2023 roiled school-loan market**
- **Schools sold $803 million of munis last year, most since 2008**

Just down the road from Stanford University, a roughly $200 million campus upgrade is underway at one of the Palo Alto area's elite private schools, with plans encompassing state-of-the-art classrooms, an aquatics center and a recording studio.

It's a massive financial undertaking for Castilleja School Foundation. Its leadership considered loans from banks before turning to the municipal bond market, which is more often used to finance roads and bridges than projects at private institutions charging more than $60,000 a year in tuition.

Castilleja, an all-girls school that opened in 1907, wound up selling about $106 million of tax-exempt debt in September, its first foray into that market. It was one of at least 17 US independent private schools that sold municipal bonds in 2024 — several for the first time. They borrowed $803 million combined, almost double the previous year's tally and the most since 2008, data compiled by Bloomberg show.

Continue reading.

Bloomberg Markets

By Erin Hudson

January 13, 2025

Orrick: First Airport Financing Under the Bipartisan Infrastructure Law's Expanded TIFIA Authorization Goes to Sacramento Airport

The U.S. Department of Transportation's Build America Bureau has provided a $36.1 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for Sacramento International Airport's Pedestrian Walkway project.

This financing marks the first TIFIA loan made by the Department of Transportation's Build America Bureau for an airport project under new authorization included in the Bipartisan Infrastructure Law.

Orrick advised Sacramento County in negotiating this novel TIFIA loan.

THE PARTIES
The Sacramento County Department of Airports plans, develops, operates and maintains Sacramento International Airport and three other airports. Sacramento International Airport offers more than 155 daily nonstop flights to 36 destinations on 12 domestic and international carriers.

Part of the U.S. Transportation Department, the Build America Bureau accelerates investment in transportation infrastructure. It lends federal funds to qualified public and private borrowers, clears roadblocks for creditworthy projects, provides technical assistance and grants to build local/regional capacity and implement best practices and innovative solutions in project planning, funding/financing, delivery and operations.

THE IMPACT
The loan will provide critical financing for the new Pedestrian Walkway at the airport, offering significant cost savings and supporting passenger mobility.

The project includes four moving sidewalks, four escalators, ADA-compliant walkways, two passenger elevators, one service elevator, stairs, and an electrical room, the Department of Transportation said.

“We are grateful to our elected officials for assisting us in securing this loan on multiple fronts,” said Cindy Nichol, Sacramento County’s Director of Airports.

Assistant Director of Airports Chris Wimsatt said the TIFIA loan represents a significant milestone.

“By leveraging the program’s low-interest rates and flexible repayment terms, we will save over $15 million while advancing critical infrastructure improvements.”

“Orrick congratulates Sacramento County on closing this innovative financing for the benefit of its passengers,” said Jenna Magan, Co-Chair of Orrick’s Public Finance Practice. “Devin, Brandon and I are grateful that the County entrusted our team to help it navigate the novel questions and issues that arose while the Build America Bureau and the County worked collaboratively to make this unprecedented loan a reality.”

THE TEAM
Orrick’s Jenna Magan led the team that advised Sacramento County. The team included Devin Brennan, Brandon Dias and Melissa Warr.

LEARN MORE
Sacramento International Airport news release
U.S. Department of Transportation news release
Build America Bureau

January.14.2025

Navigating Uncertainty: Implications of Trump Administration’s Approach to Infrastructure - Crowell

The ongoing changes surrounding the U.S.’s position on infrastructure between the outgoing Biden administration and the incoming Trump administration is creating policy uncertainty for investors and companies in the infrastructure space. This instability may raise concerns among stakeholders that the U.S. is not an ideal place to invest because of the policy inconsistency and increases the likelihood of disputes arising from existing and potential foreign investment projects.

Changes to Bipartisan Infrastructure Law Implementation

Possible changes by the Trump administration to the allocation of funds for transportation, energy, broadband, and other projects under the Infrastructure Investment and Jobs Act (IIJA), also known as the bipartisan infrastructure law, is contributing to uncertainty for investors.[1]

The Trump administration may have a different approach to implementing the IIJA, which passed with bipartisan support but during the Biden administration.[2] The IIJA is set to continue under

President-elect Trump, who will oversee the law's final two years. The Trump administration will have substantial influence over the allocation of the remaining $294 billion in IIJA funds, including $87.2 billion in competitive grants.[3] This transition presents opportunities for the new administration to shape the law's impact, particularly in areas of focus different from that of the Biden administration.

Continue reading.

Crowell & Moring LLP

1/17/25

Muni Road Ahead Looks Bright: Bloomberg Masters of the Muniverse

With expectations for future tax cuts softening and muni yields levels remaining attractive, greater buying opportunities may be on the horizon . In this episode of Bloomberg Intelligence's Masters of the Muniverse podcast, hosts Eric Kazatsky and Karen Altamirano are joined by Mark Paris, Chief Investment Officer and Head of Municipals at Invesco. They discuss why the outlook on muniland looks bright, and why muni issuers are well positioned to manage future policy shifts

Listen to audio.

Bloomberg

Jan 17, 2025

Munis' Prized January Returns Threatened by Expected Fed Pause.

- **Muni market slumps during a historically positive month**
- **Selloff follows Friday's robust US labor-market data**

Growing expectations that the Federal Reserve will hold off on further interest-rate cuts are foiling what should have been a strong month of municipal bond returns.

Benchmark municipal bond yields climbed as much as 25 basis points last week and edged higher again on Monday. The muni market is joining a bond rout that pushed long-dated Treasury yields above 5% for the first time in more than a year. Those on similarly dated municipals topped 4%, the highest since November 2023, according to data compiled by Bloomberg.

On Friday, monthly US jobs data exceeded projections, capping a surprisingly strong year for the labor market and adding more reasons for the Fed to dial back rate cuts, driving yields higher. Investors are also building in expectations that the policies of President-elect Donald Trump will foster quicker growth and inflation.

Continue reading.

Bloomberg Markets

By Aashna Shah

January 13, 2025

Active Management Could Serve Muni Bond Investors Well.

Last year was a decent one for muni bonds and related exchange traded funds. The Federal Reserve unveiling its first interest rate cuts in four years helped the cause. But with concerns mounting that the Fed may only cut once this year, catalysts for bonds, including munis, need to be derived from other sources.

Should the central bank be less aggressive than hoped on the monetary easing front, that could be a sign active management could be the way for advisors and investors to tap municipal debt in 2025. Enter the ALPS Intermediate Municipal Bond ETF (MNBD). One reason active muni strategies could take center stage this year is because income more than rate cuts could drive muni bond returns.

“We believe 2025 will be the year of the coupon, where income will once again be the main source of investor returns in municipals. Our view is that yields will stay elevated during the year amidst healthy economic growth, a data dependent Federal Reserve (Fed), and overall fiscal policy uncertainty,” noted Goldman Sachs Asset Management (GSAM).

Muni Bonds ETF MNBD Could Have Multiple Tailwinds
There are multiple reasons active muni strategies such as MNBD could thrive in 2025. Those include the possibility of volatile rates and that lower-rated munis could outperform higher-quality counterparts. Active funds like MNBD could be more responsive to those themes.

“10-year municipal yields went along for the volatile macroeconomic ride by starting 2024 at 2.27%, followed by a climb to 3.11%, then to a low of 2.51%, then increasing to 3.14%, falling to 2.78%, before finally ending the year at 3.13%,” according to GSAM. “A growing economy, solid credit fundamentals, and strong demand drove the BBB-rated and high yield portion of the municipal market to vastly outperform their higher rated counterparts.”

Another reason active management could be the way to go with municipal bonds is the expected spate of new supply. GSAM estimates that to be $500 billion for 2025. On the bright side, demand for municipal bonds, including from advisors and investors seeking tax benefits, is expected to remain stout this year. That could add to the case for ETFs like MNBD.

“We believe demand from individuals may materially increase, particularly if money market fund and short-term Treasury yields decrease significantly as the Fed lowers its benchmark rate. We think bank demand will remain constrained with the corporate tax rate remaining at 21% given President-elect Trump’s comments during the campaign, possibly moving lower,” concluded GSAM.

etftrends.com

by Todd Shriber

January 13, 2025

Munis Will Continue To Rebound In 2025, Nuveen Says.

With the highest yield curve in almost two decades, municipal offerings are expected to have a positive year and could be an integral income option for advisors coming into 2025, according to Nuveen.

The Chicago-based firm released its annual municipal bond outlook report, which highlighted that that the muni market is enjoying the highest yields it has seen in 15 years. Yields are 155 basis points higher than the trailing 19-year average, according to Dan Close, head of municipals at Nuveen.

The municipal market is showing signs of improvement after suffering outflows of around $149 billion in 2022 and about $25 billion in 2023, according to Morningstar.

While the industry has not returned to pre-2022 levels, last year there was about $42 billion in inflows into ETF municipal strategies, Close said.

"It's certainly a positive metric that we had this record amount of supply in the municipal space with more than $500 billion issued and the municipal market was still able to outperform Treasurys and corporates," he said.

Close said that municipal bonds can become a reliable source of income.

"Clipping your coupons we think is going to be an excellent strategy for the municipal market just given the backup in rates that we saw in 2024," he said. "I think a Fed that's pivoted to likely only cutting twice, we think that you can get a good total return just from the income component alone in 2025."

Nuveen believes the Fed will make two additional cuts this year before reaching a terminal Fed funds rate of somewhere between 3.75% and 4%.

"We think that the Fed certainly cutting less aggressively has more to do with a strong economy rather than inflation not rolling over," he said. "We certainly see most every component of inflation roll over in the most recent CPI (consumer price index) report."

Municipal funds will feel a positive impact from those numbers as 40 Act funds that use leverage tend to benefit from a steeper yield curve, Close said.

The report also highlighted the potential for duration, with an upward slowing municipal yield curve of around two to 30 years. The steepness could attract more long-duration municipal bond demand from individuals with cash on the sidelines, the report said.

"Given the steepness of the muni yield curve, especially in the intermediate part and longer out, we do think that it's beneficial to push a touch on duration," Close said.

Nuveen believes the supply in municipal bonds will continue to increase this year, with many public projects moving forward. There were limited supplies while projects were put on hold during the high inflationary period of 2022 and 2023 because of the elevated cost of construction and materials.

Tax-exempt municipal bond supply rebounded in 2024, as issuance through October 2024 was 43% higher than the year before at $436 billion. About $406 billion of that being tax-exempt and the remaining $30 billion being taxable. The firm expects to see at least a half a billion this year.

Many of the pending projects involve airports, with renovations expected to take place this year at airports in Denver, Austin, Texas, and New York City, Close said.

“We’re seeing a lot more issuance in the airport sector as a lot of these projects were put on hold,” Close said.

Now is an ideal time for advisors to take advantage of them and include them in their portfolios, he said.

“Any financial advisor that needs a stable income component from essential service monopolies should look to municipals because they’re producing a good deal of income on a tax equivalent basis,” Close said. “Munis are ultimately a yield vehicle and starting at a high point yield, we think hopefully does translate to very good returns for 2025.”

fa-mag.com

by Edward Hayes

January 17, 2025

S&P U.S. Local Governments 2025 Outlook: A Stable Start To The Year While Prospects Look Precarious

Sector View: Stable

- Economic and federal policy uncertainty heightens the importance of fiscal management in preserving credit quality, and could strain U.S. local government finances in 2025.
- Although we don’t expect a significant change in the magnitude of downgrades, we do expect fiscal buffers accumulated in the past three years will erode, heightening instability in a sector that has remained remarkably steady since the pandemic.
- Weaker economic growth will make regaining stability more difficult if it’s lost. We expect most governments will close any gaps that arise, but only if federal policy shifts don’t create economic pressure that makes gap-closing impossible.

Continue reading.

Free Registration Required

8 Jan, 2025

S&P U.S. States 2025 Outlook: Eyes On Washington, Focus On Budgets

Sector View: Stable

- States’ credit fundamentals have strengthened, providing financial headroom to navigate potential challenging coming budgetary conditions. In the fiscal 2026 budget cycle, states face increasing

costs following a period of inflationary pressure, past wage adjustments, waning federal support, and changes in state-level tax policy.
- This is happening against the backdrop of an expected moderation in the national economy and uncertainty of federal policy implications. Nevertheless, we expect state credit quality to hold fast.

Continue reading.

7 Jan, 2025

Fitch Updates Report for U.S. Public Finance Structured Finance Rating Criteria.

Fitch Ratings-New York-08 January 2025: Fitch Ratings has published the following updated report: “U.S. Public Finance Structured Finance Rating Criteria.” This report replaces the report titled “U.S. Public Finance Structured Finance Rating Criteria” published on Jan. 18, 2024. The key elements of Fitch’s rating criteria remain consistent with those of its prior criteria report.

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Fitch Updates U.S. Public Sector, Revenue-Supported Entities Rating Criteria.

Fitch Ratings-Chicago/New York-10 January 2025: Fitch Ratings has updated its master criteria for rating public sector, revenue-supported entities. The criteria updates and replaces the criteria from January 2024.

This criteria report describes Fitch’s methodology for assigning new ratings and monitoring existing ratings for U.S. public sector and not-for-profit entities that provide or support essential public or social services and activities and whose debt is intended to be repaid from the entity’s own revenue and resources. Notable revisions that Fitch has made include:

–Confirmation that nonrecourse debt, or collection and repayment risk have effectively been transferred to a third party, and nonpayment would not result in a cross default or cross acceleration to an issuer’s other outstanding debt, may be excluded from the calculation of debt metrics and leverage for analytical purposes;

–Confirmation that where factors are present that indicate an entity's financial profile may be higher or lower than suggested by the Rating Positioning Table, alternative operating, financial and liquidity metrics, as well as attribute assessments, may be considered in determining the financial profile assessment and rating.

–Inclusion of secondary coverage and liquidity metrics that may be used as additional guidance when assessing the credit quality and financial profile of entities where debt balances and leverage metrics are, or are expected to be, temporarily distorted, including as a result of an entity's capex profile and its position within the capital life cycle.
–Clarifications as to how Fitch assesses a Community Development Financial Institution's dependence on contributed income, and how such reliance impacts the operating risk assessment.

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

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

[S&P: U.S. Public Finance Annual Reviews Processed]

This publication does not constitute a rating action.

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

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

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

Continue reading.

09-Jan-2025

[Fitch Updates U.S. Public Sector, Revenue-Supported Entities Rating Criteria.]

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

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

S&P 2025 U.S. Transportation Infrastructure Activity Estimates: Generally Steady Demand And Growth

Key Takeaways

- Our recently updated U.S. economic forecast for 2025 incorporates an expected slight cooling of real GDP growth to 2.0% from an estimated 2.7% for 2024, which we believe will continue to slow growth in demand measures to rates comparable with pre-pandemic averages, though not enough to negatively affect operations or financial performance across transportation modes.
- Although we expect volume growth for enplanements, port containers, transit ridership, and vehicular traffic will fall compared with recent years, we believe activity across most modes of transportation will continue to steadily increase from 2025-2027.
- Our updated activity estimates show public transit ridership potentially plateauing at about 90% of pre-pandemic levels by 2027 (absent outside influences that could stimulate transit ridership, such as employers limiting their employees from working from home and congestion pricing), and enplanements, port containers, and vehicular traffic generally growing and remaining above pre-pandemic levels for 2025-2027.

Continue reading.

9 Jan, 2025

[S&P: As Los Angeles Wildfires Burn, Credit Implications For U.S. Public Finance Issuers Are Unclear]

Liability Claims, Revenue Disruptions Could Lead to Negative Rating Actions

Rapidly expanding wildfires in the Los Angeles area might pose significant financial and operational risks for rated entities, especially if not-for-profit electric utilities' infrastructure triggered the fires. S&P Global Ratings is monitoring rated U.S. public finance entities in the affected region to assess whether liability claims or disrupted revenues will lead to negative rating actions.

As of publication time, the two largest wildfires in the area have burned almost 28,000 acres, remain completely uncontained, and their causes are undetermined. Many entities we rate, including not-for-profit electric and water and sewer utilities, local governments, and school districts, have assets and tax bases in the areas with active fires.

What's happening

Several wildfires sparked in the Los Angeles area on Jan. 7 and into Jan 8, then spread rapidly due to severe winds, low humidity, and extremely combustible terrain. Although only about 1% of Los Angeles County's total 2.6 million acres has burned, the affected area contains a broad range of homes and businesses with variable property values, including some very-high-value real estate. The Palisades Fire is already the most destructive to ever occur in Los Angeles County, according to CalFire. More than 2,000 structures have burned, the Los Angeles Times reported.

[Continue reading.]

Free Registration Required

9 Jan, 2025

[S&P Global Market Intelligence Boosts Muni Market Coverage.]

S&P Global Market Intelligence's integrated market intelligence platform now covers almost 6 million securities in the municipal market.

The firm has added 4.6 million municipal securities to Capital IQ Pro, which provides liquidity scores, end-of-day pricing, analytics and enhanced terms and conditions data. More than 26 million fixed income securities are now covered by the service.

Warren Breakstone, head of data and research at S&P Global Market Intelligence, commented: "We remain steadfast in our commitment to expanding content coverage, building tools and visualisations to bring this data to life. With this update, all S&P Capital IQ Pro users will gain access to reference and pricing data for over 26 million fixed income securities."

This expansion is the result of S&P Global's 2022 integration with IHS Markets, it said, which brought IHS Markit Financial Services under the S&P Global Market Intelligence umbrella.

Last year, Capital IQ Pro was updated with document analysis service Document Intelligence. This service provides summarisations and insights for documents and transcripts.

fi-desk.com

By Lucy Carter

January 8, 2025356

S&P U.S. Not-For-Profit Health Care Rating Actions, December and Fourth Quarter 2024.

S&P Global Ratings maintained 21 ratings without revising the outlooks, took seven negative rating actions, and had no upgrades in December. In addition, we revised three outlooks favorably and one outlook unfavorably, all without changing the ratings in the U.S. not-for-profit health care sector.

There were seven new debt issuances in the month, with six ratings maintained. The seventh new issuance was related to a newly rated organization, Mizuho America Leasing LLC, N.Y., reflecting our view of University of Chicago Medical Center and the assessment of the lease structure in place.

The 11 rating actions and outlook revisions consisted of the following:

- Seven downgrades on three systems and four stand-alone hospitals, with two of the systems taken off CreditWatch with negative implications and downgraded to speculative-grade;
- Three favorable outlook revisions on one long-term care provider and two systems with two outlooks revised to stable from negative and the other revised to positive from stable; and
- One unfavorable outlook revision on a stand-alone hospital to negative from stable.

Continue reading.

9 Jan, 2025

S&P U.S. Not-For-Profit Health Care Outstanding Ratings and Outlooks as of Dec. 31, 2024

View the Ratings and Outlooks.

10 Jan, 2025

Fitch: U.S. NFP Hospitals Balancing 2025 Neutral Outlook with Adverse Outliers

Fitch Ratings-New York/Chicago-08 January 2025: A new administration in D.C. and some longer-term generational demographic concerns could pose challenges to U.S. not-for-profit (NFP) hospitals as the sector enters 2025 on sturdier footing, according to Fitch Ratings analysts in a webinar yesterday.

Labor shortages remain a struggle for hospitals, driving elevated expenses. However, Sector Head

Kevin Holloran said that hospitals are now hiring more employees than experiencing departures. In addition, usage of agency staff is declining while costs per unit are nearing pre-pandemic levels. These are among the developments that have led Fitch to revise its sector outlook to Neutral from Deteriorating.

Credit trifurcation is still the norm for the sector while Negative Rating Outlooks remain quite preeminent, though Senior Director Mark Pascaris said that downgrades to upgrades normalized in 2024, a trend that should continue in 2025 after the ratio peaked in 2023. Pascaris also noted that affirmations with Stable Outlooks still encompass roughly two-thirds of overall NFP hospital rating actions despite Covid and the subsequent “labor-demic.”

As for potential challenges in 2025 and beyond, “a major macro disruption that moves the payor mix from commercially insured to Medicaid or self-pay could move the sector outlook back to Deteriorating,” said Pascaris. Holloran pointed to 2030 as a year of particular concern in which the final members of the baby boom generation will reach age 65. “With more chunks of the population needing healthcare and a potentially smaller workforce available to provide it, a lack of a running start in using AI as a way of delivering care could leave NFP hospitals on more precarious ground,” said Holloran.

A replay of the webinar is available at www.fitchratings.com along with Fitch’s 2025 outlook report.

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S&P 'AAA' Rated U.S. Counties Current List.

View the list.

3 Jan, 2025

S&P 'AAA' Rated U.S. Municipalities: Current List

View the list.

3 Jan, 2025

S&P 'AAA' Rated U.S. School Districts: Current List

View the list.

3 Jan, 2025

States Take Steps to Shore Up Pension Funding.

Recent laws to improve pension financing should save states tens of billions of dollars over the long term.

Several state legislatures took steps in 2024 to enhance funding for public pension systems by adopting strategies to increase annual employer contributions to their retirement systems, manage how unfunded liabilities are paid down, and take advantage of surplus revenues to make supplemental payments to improve system funding and further pay down debt. These efforts build on more than a decade of increased contributions to public retirement systems, among other reforms, that have helped many states shore up their pension funding and stabilize their debt.

Well-managed retirement systems have instituted policies to ensure that the annual contributions they receive from state governments are sufficient to achieve full funding and pay down unfunded liabilities while keeping costs stable so that the systems are sustainably funded over the long term. Using these practices as a guide, policymakers can evaluate and enhance their retirement policies.

Well-Designed Contribution Policies Can Help Achieve Funding Goals

Effective funding policies ensure that annual contributions are sufficient to fund new benefits that plan participants earn each year while allowing states to pay down a portion of unfunded pension system liabilities. States that fall short of this goal are typically either failing to follow an actuarial funding policy or are following a fixed contribution rate that's insufficient to meet their systems' funding needs. Several states have moved away from the latter approach by implementing actuarial funding policies that regularly adjust employer contributions based on economic factors such as expected investment returns or projected employee salaries, thus ensuring that annual contributions are sufficient to meet targets for achieving full pension funding while reducing state government costs.

Continue reading.

governing.com

Jan. 8, 2025 • Stephanie Connolly, Pew Charitable Trusts

Wall Street Banks Cleared by Texas AG After Leaving NZBA.

- **Ken Paxton has dropped long-time review of several lenders**
- **Decision follows banks' exit from Net-Zero Banking Alliance**

Texas Attorney General Ken Paxton dropped his threat to cut off big US banks from municipal-bond deals after a slew of Wall Street firms exited a controversial climate-finance alliance.

In 2023, his office announced that it was reviewing the policies of finance companies that were members of the Net-Zero Banking Alliance, which he has repeatedly criticized. That stemmed from Texas legislation that sought to punish financial firms for engaging in what it viewed as a "boycott" of the oil and gas industries. In recent weeks, JPMorgan Chase & Co., Bank of America Corp., Morgan Stanley and Wells Fargo & Co. have said they're quitting the alliance.

Paxton's office said late Tuesday that its reviews of Wells Fargo, Bank of America, Morgan Stanley, and JPMorgan will be closed. Those firms are major underwriters of state and local debt in Texas, one of the biggest markets for muni deals. The Texas attorney general's office approves most public bond offerings before they're able to close, giving Paxton influence over which banks can participate in such transactions.

Still, the attorney general's office said in a different notice that Bank of America and JPMorgan are still under review over their firearm policies. A separate GOP law restricts government work with companies that "discriminate" against firearm entities.

Lauren Bianchi, a spokesperson for JPMorgan, said in a statement that the firm is proud of its role supporting the state's energy sector and economy. "We look forward to continuing to help drive growth and prosperity in the state," the statement said.

Representatives for Wells Fargo, Bank of America and Morgan Stanley declined to comment.

In a statement, Paxton's office said the alliance pushes members to advance "destructive climate goals regardless of their obligations to consumers and investors."

"The NZBA seeks to undermine our vital oil and gas industries, and membership could potentially prevent banks from being able to enter into contracts with Texas governmental entities," Paxton said.

Separately, a group of state attorneys general, led by Paxton, sued BlackRock Inc., Vanguard Group Inc. and State Street Corp. in November for allegedly breaking antitrust laws by boosting electricity prices through their investment policies.

After the suit was filed, BlackRock said the notion that it would invest "money in companies with the goal of harming those companies is baseless and defies common sense."

Bloomberg Markets

By Amanda Albright

January 7, 2025

BlackRock Leaves Major Climate Group Amid Wall Street Exodus.

- **Firm cites legal inquiries for exiting fund manager coalition**
- **Net-Zero Asset Managers alliance suffers biggest departure yet**

BlackRock Inc. is parting ways with one of the world's biggest climate-investor groups after being targeted by Republican politicians for its efforts on global warming.

The money manager has decided to leave the Net Zero Asset Managers initiative, it said in a letter to clients on Thursday. Membership in the group “caused confusion regarding BlackRock’s practices and subjected us to legal inquiries from various public officials,” the New York-based firm said.

BlackRock, which oversees more than $11 trillion, has been the subject of attacks from GOP lawmakers for embracing what conservatives call “woke” policies. Most recently, BlackRock was among a group of asset managers singled out in a lawsuit led by Texas alleging breaches of antitrust laws due to the adoption of pro-climate strategies that suppress coal production.

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Bloomberg Green

By Silla Brush, Saijel Kishan, and Alastair Marsh

January 9, 2025

ESG in 2024 and Outlook for 2025 in the US and EU: A Tale of Two Regions: Barnes & Thornburg

Environmental, social and governance (ESG) principles continued to gain momentum in 2024, shaping corporate strategies, regulatory frameworks, and stakeholder expectations worldwide. This year saw significant advancements in regulations, technological integration, and metrics standardization.

However, these developments were accompanied by challenges, such as data inconsistencies, rising costs, geopolitical tensions, and legal disputes. Regional disparities in ESG adoption became increasingly evident, with the EU pressing forward with robust ESG frameworks while the United States grappled with significant political resistance and legal challenges.

Let’s compare and contrast the paths ESG has taken in the two regions this past year, and how those differences will likely shape the outlook for ESG in the U.S. and the EU in 2025 and beyond.

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Barnes & Thornburg LLP – Bruce White

January 7 2025

Public Pension Funding Remains “Fragile” but Showed Improvement in 2024.

State and local governments contributed a record amount into public retirement systems in 2024, according to Equable Institute.

The funded ratio for U.S. state and local retirement systems in 2024 is on pace to reach 80.2%—a 6.2% increase compared with 75.5% in 2023, according to an analysis by the Equable Institute.

State and local pension plans saw investment returns average 10.3% in the past year, a “strong investment performance” compared with the average 6.87% rate of return expected for pension funds, according to Equable. Unfunded liabilities are expected to fall from $1.64 trillion in 2023 to $1.37 trillion in fiscal 2024.

However, Equable Executive Director Anthony Randazzo warned that despite strong pension fund investment returns, state and local retirement systems “remain financially fragile.”

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americancityandcounty.com

by Ryan Kushner, Editor

January 8, 2025

UPenn, Clemson Show College Bond Sales-Boom Isn’t Over.

- **Schools sold $27 billion in 2024, partly to refurbish campuses**
- **Threats to endowments, tax exemption may drive supply in 2025**

The borrowing boom that America’s colleges and universities went on last year is likely to continue in 2025 as they upgrade campuses to compete for a shrinking pool of potential students and race against threats to their tax breaks.

Less than two weeks into the new year, already the University of Pennsylvania and Clemson University in South Carolina have made plans to sell almost $400 million of debt in the municipal bond market. Schools are likely to borrow between $25 billion and $30 billion in 2025, according to FHN Financial. That would be about on par with nearly $27 billion in 2024, according to data compiled by Bloomberg.

The additional borrowing comes as schools face a change in demographics that’s producing fewer high school graduates at the same time that rising costs are making college more difficult to afford. That’s put pressure on institutions to try and stand out against their competitors with glitzy new facilities and robust academic programs. Schools also are looking to take advantage of the tax-exempt bond market as much as they can in case Congressional Republicans roll back the exemption for certain colleges and universities.

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Bloomberg Markets

By Elizabeth Rembert

January 9, 2025

Resilience Over Resources: Closing the Cybersecurity Gap in State and Local

Government

COMMENTARY | While they may lack the budget and staff to mount an effective defense, states and localities can take many other steps without needing to spend more money.

When nation-state attacks hit federal agencies, the headlines often dominate the news cycle. But state and local governments face similar threats, often without the resources and staffing to mount an effective defense.

The good news? There are practical steps they can take to improve security without requiring significant new investments.

While federal agencies benefit from dedicated cybersecurity teams and robust funding, state and local governments typically operate under tight budgets, but face the same scrutiny. This disparity has made them a favored target for ransomware operators who disrupt city infrastructure, public schools and local services.

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Route Fifty

By Sameer Malhotra

January 8, 2025

How to Interrupt the Public Funds to Private Profits Pipeline: A California Story

Suppose you park your car in a parking lot. You pay the parking attendant for the service, and they use your car while you are gone to get paid for rideshares, grocery deliveries, or even “services” you might object to, such as running errands for gun shop owners. Essentially, the attendant has made money from an asset that belongs to you and has charged you for it.

This happens daily when local governments “park” public funds in banks. Public funds amounting to billions of dollars are turned into private profits for “services” using your assets.

Today, our communities face multiple challenges—ranging from accelerating climate change to growing income inequality, from refugee crises to housing crises, and from basic food access to self-serving financial systems. And while banking may not be the first solution to come to mind, it is a crucial piece of the puzzle.

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nonprofitquarterly.org

by Vinod Paniker and Jason Riggs

January 8, 2025

2025 May Be a Major Year for Generative AI Adoption Across Government.

The year 2024 saw the public sector cautiously dipping its toes into the generative AI (gen AI) waters with pilot programs and experiments. Driven by the need to streamline operations and meet rising constituent expectations, these early initiatives demonstrated the potential of gen AI to deliver tangible value and ROI. Now, as we enter 2025, expect to see a significant shift from experimentation to widespread adoption.

Gen AI is poised to fundamentally transform how government agencies operate, enabling new levels of efficiency and constituent-centric service delivery. Here are four key trends that will shape this evolution in the coming year:

1. Multimodal AI: unlocking new opportunities

One of the most exciting developments in gen AI is its ability to process and analyze information from multiple sources – text, images, video, and more. This “multimodal” capability will be a game-changer for public sector agencies in 2025. Imagine analyzing surveillance footage in conjunction with written reports to identify security threats more effectively, or using satellite imagery and sensor data to predict and respond to natural disasters.

Continue reading.

Route Fifty

By Elizabeth Moon,
Managing Director, Google Public Sector

1/13/25

S&P U.S. Not-For-Profit Transportation Infrastructure 2025 Outlook: Tariffs May Rock The Boat As The Sector Stays On An Even Keel

Sector View: Stable For All Asset Classes

- S&P Global Ratings’ view of business conditions and credit quality across the U.S. not-for-profit transportation infrastructure enterprise (TIE) sector for 2025 is stable, as many asset class operators reach operational high watermarks, work to rein-in inflationary expenditure growth, and navigate often significantly more expensive capital improvement programs. Our TIE asset classes include airports and related special facilities, toll roads, maritime ports, mass transit, parking operators, and federal transportation grant-secured entities.
- Credit quality has largely been overwhelmingly strong as demonstrated financial resilience, rising demand, and positive revenue trends along with rate increases continue to mitigate the impact of higher debt burdens for larger issuers.
- We estimate that most GDP-linked activity metrics (enplanements, containers, and vehicular traffic) in 2025-2027 will settle in the low single digits, fueling generally strong financial performance, with any headwinds coming from broader economic or asset class-specific operational pressures.
- Higher transit ridership growth from a lower baseline is expected to continue and, in some regions,

operators will face local funding hurdles as they exhaust their remaining federal aid against a backdrop of waning federal support.

Continue reading.

9 Jan, 2025

First Eagle Targets Higher Yields in Muni Fund That Limits Exits.

- **Three asset managers opened muni interval funds in past year**
- **Funds give investors access to illiquid assets for higher fees**

First Eagle Investments plans to launch a product investing in higher-yielding municipal bonds with a twist: investor withdrawals are limited to a few times per year.

The Tactical Municipal Opportunities Fund will invest at least 75% of its assets in bonds rated BBB or lower as well as unrated debt. The First Eagle interval fund may also target as much of 25% of assets in "special situations" municipal securities, debt of issuers that are in default, bankruptcy or other financial distress, according to a Dec. 31 preliminary prospectus filed with the US Securities and Exchange Commission.

In First Eagle's bid to expand its reach under star money manager, John Miller, it joins a boomlet of similar offerings. Assets in interval funds have ballooned almost 40% per year over the past decade, according to Morningstar Inc. Investment firms, pressured by competition from exchange-traded funds, are wooing investors with the allure of outsized returns to the higher-fee products.

Continue reading.

Bloomberg Markets

By Martin Z Braun

January 6, 2025

VanEck Municipal Bond Outlook for 2025

We believe munis are expected to shine in 2025 due to low real interest rates, potential tax policy changes, and their attractive taxable-equivalent yields relative to other asset classes.

The Federal Reserve's (Fed) measured actions throughout the year are expected to sustain a trend of lower real interest rates. Headlines like "Blockbuster Good News for Inflation" suggest a favorable capital market environment for bond issuers. With issuers eager to secure funding for long-overdue public infrastructure projects, 2025 may well rival the record levels of bond issuance observed in the departing year 2024.

However, the federal tax exemption for municipal bonds remains an uncertain factor. If the incoming administration seeks to curtail or eliminate this exemption, we could witness a dual effect: a surge in new issuances aiming to lock in the current low cost of capital and a significant rise in valuations for the $4 trillion in outstanding bonds that would likely be grandfathered under such legislation. These developments are poised to drive strong performance in the municipal bond market.

Potential changes to individual or corporate tax rates will be a focal point of early policy debates under the new administration. Any reductions in tax rates could exert downward pressure on municipal bond prices and upward pressure on yields for outstanding issues. Nevertheless, such adjustments would further amplify the comparative advantage of municipals, particularly their high taxable-equivalent yields.

Continue reading.

by James Colby – Senior Municipal Strategist

January 08, 2025
