

Fitch: Healthy Tailwinds for U.S. Transportation Going Into Summer Travel Season

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

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

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

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

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

'North American Transportation Infrastructure Mid-Year Outlook 2024' is available at www.fitchratings.com

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Additional information is available on www.fitchratings.com

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

Key Takeaways

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

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

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

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18 Jun, 2024

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

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

In Brief:

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

[Continue reading.](#)

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

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

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

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

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

June 18 2024

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

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

Yet, with all the big news out of federal Washington, it’s easy to lose sight of who does most of the investing in American infrastructure and other fixed assets owned by the public: states and localities. The IIJA, for example, is likely to average about \$170 billion in spending per year across

all its programs. This compares with \$300 billion in new infrastructure spending financed by the \$4 trillion municipal bond market in 2023 alone.

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

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The Brookings Institution

Michael Gaughan and Adie Tomer

June 20, 2024

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

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

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

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

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

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GOVERNING.COM

June 20, 2024 • Jay Golden, Syracuse University

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

Thanks to the Fed's tightening and subsequent pause, there are a lot of good places for investors to find income within the bond market these days. From junk to Treasury bonds, yields are on par with numbers not seen since the Great Recession. But very few places in the fixed income landscape can provide equity-like returns without the same level of risk.

One of them happens to be municipal bonds.

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

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dividend.com

by Aaron Levitt

Jun 19, 2024

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

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

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

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

What went wrong?

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

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

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

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

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

categories.

Unlike traditional bond funds that continuously buy and sell bonds to maintain a diversified portfolio indefinitely, single-year bond ETFs have a fixed termination date. The bonds held inside the ETF are held until they mature, according to a specific year. When the bonds finally hit maturity, the fund will liquidate and return the principal to the shareholders.

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

Diversification is another big advantage.

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

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

How might advisors deploy these types of ETFs?

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

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

FA-MAG.COM

JUNE 18, 2024 • RON DELEGGE

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

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

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

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

Add to that, there signs active management could serve investors well in this fixed income segment. For example, the ALPS Intermediate Municipal Bond ETF (MNBD) traded slightly higher over the past month and has noticeably outpaced the ICE AMT-Free US National Municipal Index since the

start of 2024. Those aren't guarantees MNBD will outperform from here. But those encouraging traits could provide the foundation for leadership when munis rebound.

Mind MNBD for Muni Bonds Exposure

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

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

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

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

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

ETFTRENDS.COM

by TODD SHRIBER

JUNE 18, 2024

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

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

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

The aggregate total of identifier requests for new municipal securities - including municipal bonds, long-term and short-term notes, and commercial paper - rose 51.5% versus April totals. On a year-

over-year basis, overall municipal volumes are up 8.4%. Texas led state-level municipal request volume with a total of 143 new CUSIP requests in May, followed by New York (102) and California (90).

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

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

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

CUSIP Global Services

Thu, Jun 13, 2024

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

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

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

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

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

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

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

In a tender, an issuer offers to purchase bonds at a specific price on a certain date. The price is usually above the current market value but still low enough that the issuer can realize savings in

retiring the debt.

Companies often employ tenders to buy back high-cost debt or as a defense against a takeover by repurchasing shares. Their occasional use in the \$4 trillion muni market increased when the 2017 Tax Cuts and Jobs Act pulled the tax breaks from bond sales used in another type of refinancing, known as an advanced refunding.

But the municipal tender offers really took off when the Federal Reserve started raising rates two years ago, erasing any advantage of using advanced refundings even for taxable bonds.

In 2023, state and local issuers marketed roughly three dozen tender offers, according to Globic Advisors, the agent for many of the deals. That was more than double the number from a year earlier, based on deals represented by Globic.

Muni investors this year already have received at least two dozen such buyback offers, Globic President Robert Stevens said. The Texas Transportation Commission was among those who extended them, while the city of Chicago had a tender in 2023.

Wisconsin Savings

Holders of Wisconsin bonds in the last three years tendered from 13% to a high of 84% of the debt in an individual offer. Among the debt the state sought to buy back was several taxable advance refunding bonds issued from 2020 through 2022, Heintz said.

“Who would have thought that you’d be able to generate savings on taxable bonds that have coupons less than 3%,” he said.

Investors and underwriters say they anticipate more muni tender offers, barring an unanticipated sharp decline in interest rates.

“Everyone is asking about tenders,” said Samantha Costanzo, senior managing director and head of public finance at Huntington National Bank.

“The volume increases for tax exempt tenders are largely being driven by an issuer’s desire for cost savings, combined with the markets becoming more comfortable with the process over the last few years,” said James D’Arcy, senior portfolio manager at Vanguard Group. “The decision to tender is primarily based upon how much of a premium relative to current market prices the issuer is willing to pay the investor, as well as the reinvestment opportunities in the market.”

Thornburg Investment Management, which holds about \$6 billion in muni assets, has received about 20 tender offers since the beginning of 2023, said Eve Lando, a portfolio manager and managing director. Thornburg has sold back bonds at higher prices than those available in the secondary market, she said.

Credit concerns or the need to get out of an “illiquid name” could also drive future decisions, Lando said.

Bloomberg Markets

By Shruti Singh

June 13, 2024

[**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.

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14-Jun-2024 | 07:00 EDT

[**S&P: Rating Changes Of 25 Major U.S. Cities Since 2000**](#)

[View the Rating Changes.](#)

6 Jun, 2024

[**WSJ: Puerto Rico Bondholders Win Back Rights to Electricity Revenues**](#)

An appellate court restored bondholders' lien on electric-utility revenues

A federal appeals court said Puerto Rico bondholders have collateral rights over revenue generated by its bankrupt public power utility, a ruling that could delay and possibly upend a planned \$10 billion debt restructuring.

The U.S. Court of Appeals for the First Circuit in Boston restored bondholders' lien over past and future electricity revenues in Puerto Rico and reversed a lower-court ruling that had [sharply limited](#) their rights to repayment.

Wednesday's decision marks a win for GoldenTree Asset Management and other bondholders seeking repayment from the Puerto Rico Electric Power Authority, the government-owned power utility. Prepa has been in bankruptcy since 2017, when the U.S. territory stopped paying its debts and triggered the largest-ever default by a U.S. municipality.

Officials have reached settlement deals in recent years with holders of most of Puerto Rico's municipal bonds, leaving Prepa as the last public agency still under court protection. It proposed a restructuring plan last year to slash nearly \$8.5 billion owed to its municipal bondholders—its largest single debt—by nearly \$7 billion.

Prepa's plan will be re-evaluated in response to Wednesday's ruling, which found bondholders have a lien over the utility's future net revenues—its surplus income left over after its operating costs.

The appeals court left it up to Judge Laura Taylor Swain, the lower-court judge who has overseen Puerto Rico's bankruptcy process, to determine the "economic value" of the bondholders' security interest.

The oversight board that supervises Puerto Rico's finances said Wednesday that it was evaluating the ruling and that "Prepa does not generate any net revenues unless and until electricity rates are increased." Under bankruptcy law, bondholders' collateral must be valued when a restructuring plan is confirmed, "prior to any rate increase," the oversight board said.

Bondholders have argued that Prepa is required to raise rates enough to pay their claims in full. Wednesday's decision also said bondholders have a claim for the full face amount of their holdings, nearly \$8.5 billion, rather than the reduced \$2.4 billion that Judge Swain had estimated.

The restructuring plan, which would also cover Prepa's bank loans and vendor debts, would pay GoldenTree as little as 3.5 cents on the dollar, court records show. Some other bondholders, including BlackRock Financial Management, had supported the restructuring in return for an exclusive right to buy new, discounted bonds from Prepa.

Prepa has tested the municipal bond market's expectation of how its electric revenue bonds—a common type of tax-exempt debt secured by a pledge of special revenues—would fare in a bankruptcy.

GoldenTree and bond guarantor Assured Guaranty said in a joint statement Thursday that the ruling "restores the municipal market's understanding of the proper functioning of special revenue bonds." They said they hoped to reach a consensual resolution with the oversight board and elected officials in Puerto Rico.

The Wall Street Journal

By Andrew Scurria

Updated June 13, 2024

Write to Andrew Scurria at Andrew.Scurria@wsj.com

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

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Additional information is available on www.fitchratings.com

[S&P U.S And Canadian Airport And Special Facility Ratings And Outlooks: Current List And Year-To-Date Actions](#)

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

14 Jun, 2024

[3D Visualization Predicts Hurricane Damage Before it Happens.](#)

By applying this technology to coastal communities or community buildings, such as schools and stores, researchers can help residents and officials create a plan for hurricane season.

Researchers have implemented 3D visualization technology to identify the potential outcomes of hurricane flooding before it occurs.

Beginning annually on June 1, hurricane season poses a major threat to Texas coastal communities, causing both physical and financial damage to the areas they hit.

This damage can be staggering; when Hurricane Harvey hit in 2017, it cost Galveston \$132.73 billion in damages.

Severe weather has been increasing over the last several years due to global climate change, according to the researchers. If severe storms and flooding continue to increase in the future, implementing 3D visualization based on real-time weather forecasts could result in improved safety and less damage-inflicted costs.

[Continue reading.](#)

Route Fifty

By Alyson Chapman,
Futurity

JUNE 17, 2024

[S&P 2024 Atlantic Hurricane Season : U.S. Federal Disaster Relief Funding Will Be Stressed To Withstand An Intense Season](#)

Despite the size and frequency of major storms in recent years, the damage has had limited impact on U.S. local governments' credit quality to date. However, with projections for another record-breaking Atlantic hurricane season in 2024, a dwindling federal Disaster Relief Fund (DRF), which is the Federal Emergency Management Agency's (FEMA's) primary funding source, could compound fiscal risks for the places most vulnerable to storms and push up their costs to rebuild.

[Continue reading.](#)

11 Jun, 2024

[Communities Step Up their Resilience and Climate Planning.](#)

COMMENTARY | A county in Florida is leveraging federal funding to reduce carbon emissions, improve energy efficiency in public buildings and invest in renewable energy infrastructure.

Even before the start of what is expected to be a busier than normal Atlantic hurricane season, widespread rain and flooding have already begun to soak the South, putting millions at risk for flood damage and power outages among other threats. In fact, in the first five months of 2024, the U.S. has already been hit by disasters costing \$7 billion, including storms, heavy snow and hotter than average temperatures.

Communities and their infrastructure find themselves at the mercy of more extreme weather events, and they must take some immediate steps to adapt to the changing climate and mitigate damage. Fortunately, many cities and localities are tackling the challenge head-on by implementing policies and programs that help their communities improve quality of life and build more resilient communities.

Sarasota County, Florida, for example, is working to strengthen its resilience to increased flooding.

[Continue reading.](#)

Route Fifty

By Hilari Varnadore,
U.S. Green Building Council

June 17, 2024

[For US Cities in Infrastructure Need, Grant Writers Wanted.](#)

With billions in federal funds at stake, smaller cities are racing to compete for new clean energy and climate projects. That means filling out a lot of forms.

It's a big windfall of federal investment. Together, bills like the Inflation Reduction Act, the Bipartisan Infrastructure Law, and the CHIPS Act present a substantial shift in how the US government funds local economic development, clean energy and environmental justice efforts, potentially giving cities and towns a huge boost.

That is, if the nation's 90,000-plus municipalities and tribal governments can finish filling out all the paperwork.

The trillion-dollar trifecta of Biden administration legislation from 2022 underscores just how important grant writing has become. In many ways, the ability of cities to enact new policies and tap federal resources rests on the desks of the staffers or contract workers who research, write and submit applications for funding. Uncle Sam will cheerfully write a check for cities to install solar panels via Clean Electricity Investment and Production Tax Credits, for example, or provide tax credits for buying electric vehicles. But first, you have to ask.

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Bloomberg Markets

By Patrick Sisson

June 14, 2024

[MSRB Adds Tradeweb AAA Muni Curve to Municipal Market Yield Curves on EMMA.](#)

Washington, DC- The Municipal Securities Rulemaking Board (MSRB) today expanded the availability of yield curves and indices on its free Electronic Municipal Market Access (EMMA®) website with the addition of the Tradeweb AAA Municipal Curve.

“Offering the Tradeweb AAA Municipal Curve for free on EMMA is an important enhancement to market transparency,” MSRB Chief Market Structure Officer John Bagley said. “MSRB is proud to provide another source of hourly municipal yield information that can help investors, issuers and other market participants make more informed and timely decisions.”

The Tradeweb AAA Municipal Curve, which is the foundation for its Ai-Price model for municipal bonds, is constructed by selecting AAA-rated general obligation and revenue bonds that meet certain criteria metrics. It is updated hourly by combining public MSRB data with data from Tradeweb’s electronic municipal bond trading platform, while leveraging proprietary machine learning and data science to adjust the curves intra-day.

MSRB offers many yield curves and indices of third-party providers on EMMA, which are accessible from [EMMA’s Tools and Resources tab](#) . These market indicators and tools help investors to evaluate bond prices and yields, measure market direction and performance, and determine pricing on new bond issues. [Learn more about yield curves and indices on EMMA.](#)

Date: June 17, 2024

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[Active Management Will Drive Muni Returns in 2024.](#)

Value being restored in municipals

- Municipal bonds deviated from U.S. fixed income assets and posted negative performance in May.
- Issuance remained robust and increasingly pressured the market late in the month.
- We have started to selectively add duration but see several reasons to remain patient.

[Continue reading.](#)

advisorperspectives.com

by Patrick Haskell, Sean Carney of BlackRock, 6/16/24

[SIFMA Municipal Bonds Statistics.](#)

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

YTD statistics include:

- Issuance (as of May) \$193.7 billion, +35.1% Y/Y
- Trading (as of May) \$12.8 billion ADV, +19.7% Y/Y
- Outstanding (as of 4Q23) \$4.1 trillion, +0.5% Y/Y

[Download xls](#)

June 3, 2024

[Conning Releases 2024 State of the States Municipal Credit Report, Outlook Shifts to "Stable" in Anticipation of Return to Pre-Pandemic Fiscal Conditions](#)

As Costs Rise, States Should Prioritize Essential Spending in Coming Budget Cycle

Interactive Exhibits Enable Deeper Understanding of Metrics

- Outlook for state credit quality upgraded to “Stable” versus 2023 outlook of “Declining.”
- State rainy-day funds remain at near-record levels but rising costs are pressuring state budgets.
- Northeast, Great Plains and Great Lakes regions benefited from a slowing of pandemic migration patterns to the west and south.
- Interactive graphics enable a closer look at the report’s 13 economic, socioeconomic and financial metrics by state and region.

[Continue reading.](#)

Tue, Jun 4, 2024

[Fitch: Revenue Ramifications Emerge with US States Winding Down Large Tax Cuts](#)

Fitch Ratings-New York-06 June 2024: The period of sizeable state tax cuts that began in early 2021 and peaked in 2022 is drawing to a close, with revenue implications for states becoming clearer, Fitch Ratings says. In some cases, actual revenue losses exceed state estimates, although credit quality remains stable as states have ample reserves and broad budgetary flexibility.

State legislatures have proposed or enacted an estimated \$6.3 billion of new tax reductions in their 2024 legislative sessions, meaningfully less than the \$26.1 billion and \$40.2 billion of tax cuts, rebates and credits adopted in 2023 and 2022, respectively.

Ohio and Arizona are among the states with the largest shortfalls between forecasted and actual revenues so far in fiscal 2024. Ohio’s fiscal 2024 tax collections were tracking \$445 million (1.9%) below forecast through April 30, which the governor ascribes to the cumulative effects of personal income tax (PIT) rate cuts and bracket compressions in the last two biennial budgets. In Arizona, the state’s Joint Legislative Budget Committee primarily attributed a \$900 million downward revision in its fiscal 2024 revenue forecast in January to previously enacted income tax cuts.

Tax reductions over the past few years included a broad mix of both one-time and recurring tax policy actions. California enacted \$10 billion of tax rebates in 2022 paid largely from surplus revenues, while Nebraska enacted nearly \$1.4 billion of permanent PIT rate cuts and property tax credits. This will equal roughly 15% of fiscal 2021-2022 biennial revenues once the cuts are fully phased in by 2027.

Like Nebraska, other states including Georgia, Kentucky, Pennsylvania and West Virginia are phasing in previously enacted tax changes over multiple years. In some cases the associated revenue losses will not be fully realized, or even clear, until the early 2030s. The revenue effects of prior cuts through fiscal 2024 have so far been within these states' expectations.

Modest revenue underperformance compared to forecasts is unlikely to have a negative credit effect given that state rainy day funds and other counter-cyclical fiscal cushions have been greatly augmented since the pandemic. State rainy day funds averaged 13.8% of prior year revenues in fiscal 2023 compared with 7.9% in fiscal 2019 and only 5% prior to the 2008 Global Financial Crisis. However, the effects of recent years' tax cuts on revenues have not been tested by a cyclical downturn, which could have a more pronounced effect on collections.

Policymakers are reticent to enact further large, permanent tax cuts. In Oklahoma, the state senate recently resisted a gubernatorial proposal for an income tax rate cut even as the state eliminated its sales tax on groceries. In Virginia, the legislature rejected the governor's proposal for a broad tax restructuring that also included a sizeable PIT rate cut.

States are likely to forego substantial new tax reductions in the near term, and instead focus on making more marginal changes. These include expanding or revising existing tax credit programs such as the state earned income tax credit (EITC) and childcare tax credit. Additionally, we anticipate efforts to expand tax bases will include more services and digital goods, as well as broaden transportation fees and levies to compensate for declining fuel taxes.

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[NASBO: Summaries of FY25 Enacted Budgets](#)

Overview

Over the course of the coming months, 33 states, the territories, and the District of Columbia will enact a budget for fiscal 2025 (Kentucky, Virginia, and Wyoming will enact a biennial budget for both fiscal 2025 and fiscal 2026). Last year, 17 states enacted biennial budgets covering both fiscal 2024 and fiscal 2025; in seven of those states, the governor released a supplemental or revised budget recommendation for fiscal 2025. Forty-six states begin their fiscal year on July 1 (New York begins its fiscal year on April 1, Texas on September 1, and Alabama and Michigan on October 1). Puerto Rico begins its fiscal year on July 1, while the District of Columbia, Guam, and the U.S. Virgin Islands begin their fiscal year on October 1.

[Continue reading.](#)

What Prevents Local Governments From Managing Their Finances More Effectively?

American voters can be forgiven for thinking that their local governments are in a constant state of fiscal crisis. New York City continues to struggle with an influx of migrants that has jeopardized its ability to maintain services and led the mayor to appeal for greater state and federal support. Chicago grapples with a massive pension shortfall and debt burden amidst persistent difficulty in finding common ground, as illustrated by the recent failure of a mayor-led initiative to reform the real estate transfer tax. Los Angeles faces a growing budget shortfall that imperils its efforts to confront a homelessness crisis. American cities are struggling to adjust to a post-pandemic world of empty office towers and shifting commuting patterns.

Yet, many of the fiscal problems that governments face predate the pandemic. In fact, one can't help but wonder whether there has ever been a time that local governments have managed their finances prudently, when cities did not face impending budget cuts and threats of drastic service reductions. The answer is: they haven't. And the reason why is the same reason why so many governance challenges persist: the institutional structure and the incentives that it gives rise to. Too often, municipal leaders simply are not incentivized to engage in prudent fiscal management.

To explain why, it helps to start with one of the most basic features of local government budgets: the balanced budget requirement. Unlike the federal government, city and state governments in the United States cannot engage in deficit spending. And while the details of these requirements vary from place to place, the overarching picture is the same: governments must balance their operating budgets on a cash (or near-cash) basis.

[Continue reading.](#)

PROMARKET.ORG

BY TRAVIS ST. CLAIR

June 3, 2024

Auditing Reimagined: Looking Beyond the Public Dollar

COMMENTARY | Today's auditors don't just account for finances, they also account for

outcomes. Local government leaders should look to them as key allies.

Having dedicated most of my public service career to elevating the profession of performance auditing, I was gratified to see recently that it had progressed from a nice idea to a top priority for the current generation of local government auditors.

This focus on “auditing for impact” is a healthy progression toward a more inclusive and results-oriented approach, promoted by an activist brand of practitioners who, in the words of one scholar of the field, “regard the public as their ‘ultimate client.’”

It’s a positive change that has been cultivated, in part, by the Association of Local Government Auditors, or ALGA. And I saw it on display in Seattle last month at the group’s annual conference, especially on the all-female panel I moderated featuring leading auditors from diverse backgrounds, a metamorphosis that is clearly invigorating the profession.

[Continue reading.](#)

Route Fifty

By Mark Funkhouser

JUNE 6, 2024

[How Finance Officers Can Shake Things Up.](#)

Local government finance officers can employ revenue, procurement and other tactics that disrupt the status quo to finance important initiatives.

I recently watched *Rustin*, the biopic about nearly forgotten civil rights leader Bayard Rustin, who was the chief organizer of the 1963 March on Washington for Jobs and Freedom. In 1948, the year of Mahatma Gandhi’s assassination, Rustin traveled to India to learn the techniques of nonviolent civil resistance, which he later taught to Dr. Martin Luther King Jr.

Not long after his India trip, Rustin wrote, “We need, in every community, a group of angelic troublemakers.” These words were echoed by another civil rights icon, John Lewis, who famously said, “When you see something that is not right, not fair, not just, say something. Do something. Get in trouble. Good trouble.”

Local government finance officers might be the last people you would think of as troublemakers of any kind. Their job, after all, is to keep cities and counties out of trouble by ensuring that tax dollars are managed responsibly. The truth is that finance officers are people too, not human calculators. Many of them care deeply about making their communities better — in a fiscally prudent way, of course.

[Continue reading.](#)

governing.com

OPINION | June 6, 2024 • Andrew Kleine

[New Issue Brief: Time to Fix Underfunding of Public-Sector Pensions - Manhattan Institute](#)

The current high-interest rate environment presents a unique opportunity to correct accounting practices and to set public-sector pensions on a more sustainable path

NEW YORK, NY — Public-sector pensions are facing a significant underfunding crisis that has only worsened over the past 25 years despite periods of high-asset returns. This growing burden threatens the financial stability of municipal and state finances, potentially leading to higher taxes or severe cuts to retirees' benefits and essential services if not addressed promptly. In a new Manhattan Institute [issue brief](#), senior fellow Allison Schrager argues the current high-interest rate environment presents a unique opportunity to set public-sector pensions on a more sustainable path.

Improper pension accounting standards set by the Governmental Accounting Standards Board (GASB) are at fault for masking the true extent of underfunding. The GASB allows states and municipalities to underprice risk and the cost of their obligations—a practice that is at odds with basic finance and different from how pension liabilities are measured in the private sector. Current accounting effectively incentivizes riskier investments and overly optimistic return assumptions.

State and local pension plans use accounting standards suggested by GASB to measure their funding status in their Annual Comprehensive Financial Report (ACFR). While the ACFR does not necessarily have any direct impact on the contributions that states and cities pay to fund their pensions, it enables further underfunding because it suggests that risk is costless and that providing pension benefits is cheaper than it is.

The gap between expected returns and interest rates is narrower in the current high-rate environment, making it politically and economically feasible to adopt more defensible standards. States and municipalities should use the opportunity to adopt better and more uniform standards for how liabilities are measured and for how contributions are calculated and paid. By requiring sponsors to account for risk and the cost of guarantees, the focus would shift from returns to risk management, promoting long-term fiscal sustainability. Such accounting would ensure that regardless of rising or falling rates in the future, pensions would be properly funded.

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[Bad Accounting Can't Make the Public Pension Funding Shortfall Crisis Add Up: Manhattan Institute](#)

Introduction

Public-sector pensions are underfunded, and the problem is getting only worse. Despite many years of high asset returns, municipal and state finances face a slow-moving crisis as the bill comes due on their pension obligations. The burden will either fall on taxpayers or lead to cuts in benefits on retirees and essential services on the entire tax base. The time to fix an underfunded pension plan is

always yesterday, but the current high-interest-rate environment offers an opportunity to put public-sector pensions on a more sustainable path. This will require changes at the state, local, and federal levels.

The core of the problem is pension accounting. The extent of underfunding is obfuscated by the current accounting standards that enable states and municipalities to underprice risk and the cost of their obligations. State and local pension plans use accounting standards suggested by the Governmental Accounting Standards Board (GASB), a nonprofit body, in order to measure their funding status in their Annual Comprehensive Financial Report (ACFR). These guidelines often influence the contributions that fund the plans.

GASB's accounting standards are at odds with basic finance and are different from how pension liabilities are measured in the private sector. The current standards not only obscure the extent of underfunding; they create an incentive to invest in riskier assets and provide overly optimistic return assumptions. Research shows that overly optimistic return assumptions are a big driver of the increase in underfunded liabilities.[1]

For decades, critics have called for public pensions to adopt more defensible and commonly used accounting standards.[2] This would involve using market-based discount rates (the rate of return used to calculate future cash flow), particularly low-risk government interest rates. Lower and more defensible rates would reveal the extent of the underfunding based on current market rates, which is correct. But if states and cities realize the truth, it could result in dire financial consequences for some municipalities because it could mean higher contributions or higher municipal interest rates.

True, the underfunding reported in an ACFR does not necessarily have any direct impact on the contributions that states and cities pay to fund their pensions. But it enables further underfunding because it suggests that risk is costless and that providing pension benefits is cheaper than it is. The underfunding is also important because the funding level is observed by municipal bond buyers, highly motivated voters, and anyone with an interest in the health of the pension, such as unions. There is evidence that pensions do respond to what is in ACFRs. For instance, states and cities raised contributions when discount rates were lowered after the guidance was changed in 2012 because the local governments feared pressure from their stakeholders.[3]

While informing these stakeholders on the true extent of pension funding is desirable from an economical and long-term fiscal sustainability perspective, a drastic change could be self-defeating. States and municipalities are required to use GASB accounting in their ACFRs, but they are not required to make the necessary contributions estimated by GASB to cover the underfunding or even to use the same method to estimate their contributions. If the standards are seen as completely unreasonable or unrealistic, they will have less influence, which could worsen transparency and lead to more irresponsible investing.

Although the 2012 move faced resistance, it was, at best, a half-measure that sent mixed messages. Thus, even a few years ago, when rates were near-zero, moving to a more defensible standard would have been politically untenable. Our higher-interest environment changes this situation because the difference in expected return and interest rates is no longer so large. (In fact, in the last higher-rate environment, the 1990s, many pensions were overfunded.)

The current high-rate environment is an opportunity for states and municipalities to get on the right track by adopting better and more uniform standards for how liabilities are measured and for how contributions are calculated and paid. Ideally, this reform would encourage states and municipalities to start managing interest-rate risk, so that if rates fall or rise in the future, pensions would still be properly funded.

It is expensive to guarantee funding for pensions, but it can be managed using simple interest-rate hedging strategies. When the expected return is the discount rate, there is no incentive to use these strategies because the plan sponsor is fixated on returns rather than risk management. Requiring the sponsor to account for risk and the cost of a guarantee, which this issue brief explores, changes the focus for states and cities and makes the benefits of risk management more apparent.

[Continue reading.](#)

June 6th, 2024

Issue Brief by Allison Schragger

[Louisiana Gun Bill Risks Roiling Wall Street's Muni Business.](#)

- **Proposal would limit work with banks with gun restrictions**
- **Bill sent to state's Republican governor for signature**

Louisiana could soon bar banks that “discriminate” against firearm entities from working on government contracts, after lawmakers advanced legislation that’s similar to a Texas statute that has whipsawed Wall Street firms’ public-finance work.

State lawmakers passed Senate Bill 234 last week and sent the legislation to Republican Governor Jeff Landry’s office for signature. Under the [legislation](#), any company into entering a public contract of \$100,000 or more must provide a written verification that they do not have a “practice, policy, guidance, or directive” that would “discriminate” against firearm entities or trade groups.

If passed, it would add to the pressure campaign from GOP states against Wall Street. Texas enacted a [similar law](#) in 2021 targeting Corporate America’s firearm policies, and it has [hurt](#) some large banks’ public-finance business in the state.

[Continue reading.](#)

Bloomberg Markets

By Amanda Albright

June 4, 2024

[Airports Across US With \\$151 Billion in Needs Set to Storm Bond Market.](#)

- **Projects from terminal expansion to upgrades are on tap**
- **Issuance in 2024 may reach \$21 billion, near pre-pandemic peak**

US airports are set to storm the municipal-bond market in the weeks and months ahead to raise billions of dollars for upgrades and fixes they can no longer put off as travel surges to new highs.

At the urging of airlines, facilities across the US are increasing not only runway capacity but also amenities at new or renovated terminals, with plans for shopping areas and lounges as traffic reaches records. That’s on top of basic infrastructure maintenance.

Already this year, operators of airports in cities from San Francisco to St. Louis have come to market with \$3.5 billion of debt, according to a June 3 report by Ramirez & Co. Heavy volume through September and another wave in December will push the total for the year to \$21 billion, close to the pre-pandemic peak, the municipal underwriter forecast in a report released this week.

[Continue reading.](#)

Bloomberg Markets

By Skylar Woodhouse and Shruti Singh

June 5, 2024 at 8:43 AM PDT

[US Colleges Are Stuck Between Decline and More Debt.](#)

University of the Arts in Philadelphia just shut down as institutions take on debt to lure new students

Debt-or-Die

Smaller US colleges facing rising costs are opting to merge or shut down entirely while university debt sales are rising as schools vie for an increasingly tinier pool of students.

Last week, University of the Arts in Philadelphia abruptly announced that it would close on June 7. The school has around \$50 million of outstanding municipal bond debt, whose rating was slashed four notches to C by Fitch this week.

That's the latest in a string of college casualties, a consequence of universities across the country contending with shrinking demand partly due to demographics — birth rates began falling in the aftermath of the financial crisis, and students born then are now approaching their college years.

[Continue reading.](#)

Bloomberg Newsletter

By Aashna Shah

June 8, 2024

[S&P: U.S. Transportation GARVEEs Are Stable, Much Like Sector Funding](#)

Key Takeaways

- S&P Global Ratings views the U.S. federal-grant-secured transportation sector as stable given expected reliable funding and continued strong support for transportation infrastructure investment across all levels of government, and thus most grant anticipation revenue vehicles (GARVEEs) are rated in the 'AA' category.
- Funding from the Infrastructure Investment and Jobs Act (IIJA; also known as the Bipartisan

Infrastructure Law, or BIL) in federal fiscal 2023 totaled \$59.5 billion for the Federal-Aid Highway Program and \$13.6 billion for transit formula grant programs sourced from the Highway Trust Fund. Based on estimates of outlays, the fund is projected to be exhausted in 2026.

- Inflated construction project costs, labor shortages, and other hurdles continue to erode the anticipated benefits of BIL/IIJA funding.
- Our AA+/Stable/A-1+ U.S. sovereign credit rating is linked to both stand-alone GARVEE ratings and backstopped GARVEE ratings that benefit from an additional pledged security such as state gas taxes.
- Our analysis of key financial metrics for fiscal 2023 shows that GARVEE programs continue to demonstrate very strong maximum annual debt service coverage that we do not expect will materially erode as states and regional transportation agencies potentially issue more debt to maintain and expand investment in roads and transit.

[Continue reading.](#)

6 Jun, 2024

Stadium Bond Sales Revive as Minor League Baseball Shuffles Deck.

- **Spartanburg, South Bend borrows to build, refurbish stadiums**
- **Spartanburg sees Fifth Third Park opening for 2025 season**

The new look of US minor-league baseball took a curtain-call last week as Spartanburg, South Carolina, sold bonds to build a stadium for the Hub City Spartanburgers, a Low-A level affiliate of the Texas Rangers.

Spartanburg, a city of 38,732 in the upstate region of South Carolina, sold \$63.8 million in revenue bonds to build the 5,000-seat Fifth Third Park stadium, which is slated to cost \$100 million and open in time for the 2025 season. The bonds are backed by a mix of rent, fees and taxes. The city and county are contributing another \$59.4 million to the project.

Minor league baseball is still recovering from the lost year of 2020, when the pandemic shut down the season and Major League Baseball cut the size of the minor leagues by more than 40 teams to 120, and then told the rest to replace or upgrade their stadiums. In 2023, sales of municipal bonds for sports facilities tripled, to \$1.8 billion, according to data compiled by Bloomberg.

[Continue reading.](#)

Bloomberg Industries

By Joseph Mysak Jr

June 4, 2024

FCC Approves Pilot to Boost Cybersecurity in Schools.

Amid a rapid increase in ransomware attacks on k-12 schools, the commission is allocating \$200 million over three years to strengthen cyber protections.

Parents of students in Center Line, Michigan, an inner ring suburb of Detroit, got a text late Monday night last week canceling school the next day. School officials had been forced to shut down the district's entire computer system to [stop a ransomware attack](#). Since schools run through technology, whether it's food service, cameras, phones or educational software, there were few other options.

The closure ultimately lasted only one day. But parents and students have been asked to be patient as the district works "through other tech challenges" likely to surface as the breach is investigated.

Ransomware attacks like the one on Center Line Public Schools are [becoming all too familiar](#). School districts depend more than ever on technology, and as a result, their systems and the personal data they store are increasingly targets of hackers. In 2022, according to an [analysis](#) by the cybersecurity firm Emsisoft, 45 districts reported breaches. In 2023, that number more than doubled, to 108.

[Continue reading.](#)

Route Fifty

By Elizabeth Daigneau,
Executive Editor, Route Fifty

JUNE 6, 2024

[MSRB Request for Comment on Gathering and Display of Bank Dealer Associated Persons' Registration and Qualification Information.](#)

[Read the MSRB Request for Comment.](#)

[Midyear Outlook: Corporate Bonds and Muni Bonds - Charles Schwab Podcast](#)

[Listen to the podcast.](#)

by Liz Ann Sonders & Kathy Jones

June 7, 2024

Charles Schwab

[S&P: U.S. States' Fiscal 2025 Budgets Navigate Evolving Risks As Economic Growth Prospects Wane](#)

Key Takeaways

- U.S. state fiscal 2025 budgets look relatively unchanged from a year ago, with budgetary priorities remaining focused on enhancing grade K-12 education funding, reassessing Medicaid outlooks,

and further extending tax relief.

- As economic tailwinds fade, an emerging risk for fiscal 2025 budgets is that revenue could prove more sensitive to broader macroeconomic trends with limited boost to momentum.
- With the soft-landing scenario emerging, the budgetary operating environment, even if a touch bumpy, should remain manageable.

[Continue reading.](#)

28 May, 2024

[As Hype Intensifies, Cities Put AI To the Test.](#)

A recent gathering of local officials shed some light on how cities are using artificial intelligence today and how they plan to use it.

One of the best things about new technologies is imagining all the ways they can be applied to our daily lives. That's been especially true of artificial intelligence.

Technologists, business leaders, academics and politicians have all talked about the myriad ways AI could be deployed, from addressing bigger picture issues such as preventing cyberattacks, detecting public health threats and identifying potential offenders to the more day-to-day applications like tracking fare evasion, assisting teachers in the classroom and helping small businesses navigate city codes, permitting processes and other regulations.

In many cases, state and local leaders are already putting some of these ideas to the test. During a panel discussion at last week's Smart City Expo USA conference in New York City, speakers discussed the potential uses their cities have already identified and are piloting.

[Continue reading.](#)

Route Fifty

By Chris Teale,
Staff Reporter, Route Fifty

MAY 30, 2024

[Post-Pandemic, Downtown Recoveries Continue To Be Uneven.](#)

From office conversions to bonding programs to unconventional approaches, cities are testing different ways to revive their downtowns.

City officials are trying to revive their downtowns in myriad ways, whether it's through office conversions in New York City, bonding programs in Chicago, or sports-related development in Pittsburgh and Salt Lake City.

Recovery Rates Vary

COVID-19 turned many once-vibrant city centers into ghost towns. Shops and local eateries closed, and office buildings sat empty as employees worked from home.

The fates of downtowns since the pandemic have varied significantly, said David Stanek, a research fellow at the Penn Institute for Urban Research, author of a forthcoming report for the Volcker Alliance about those recoveries.

[Continue reading.](#)

ROUTE FIFTY

by DANIEL C. VOCK

MAY 31, 2024

[Communities Push to Take Over Investor-Owned Utilities and Make them Public Nonprofits.](#)

Advocates say public power can deliver cheaper rates and a faster, more equitable transition to clean energy. Still, the measures face long odds.

Activists pushing San Diego to take over the city's investor-owned utility aren't letting last year's defeat of a similar effort in Maine deter their goal of establishing a nonprofit power company. They recently submitted petitions bearing more than 30,000 signatures from residents who want the City Council to let voters decide the matter this fall.

Advocates say a municipal takeover of San Diego Gas & Electric would deliver cheaper rates and a faster, more affordable, and more equitable transition to clean energy. Still, the measure faces long odds from skeptical council members who have twice rejected similar proposals.

[Continue reading.](#)

Route Fifty

By Akielly Hu,
Grist

MAY 31, 2024

[A New Tool Aims to Help Communities Spend Their Opioid Settlement Money Wisely.](#)

The dashboard helps local governments estimate how much money to expect and, based on that, offers evidence-based recommendations on how best to spend it.

"Something so boring it's genuinely kind of hot," joked the comedian John Oliver as he [dove into the topic of opioid settlements](#) earlier this month on his HBO show, "Last Week Tonight." Oliver, in a departure from his usual format, was looking at the massive task before state and local governments

to allocate and spend the billions of dollars coming their way.

Thousands of state and local governments have been awarded more than \$50 billion to be paid out over 18 years by companies accused of pumping opioid painkillers into communities and leaving millions addicted or dead. “Theoretically,” Oliver said of the money, “it will be used to mitigate the damage that opioids are doing. [...] But when you don’t have a plan for your money, it can be easy to spend it in a thoughtless way.”

That’s where the National League of Cities is hoping to help. Last week, [NLC debuted a new tool](#) to help municipalities and counties estimate the total amount their communities can expect from the national \$26 billion opioid settlement with the pharmaceutical manufacturer Johnson & Johnson. The interactive dashboard also offers data-backed investment recommendations based on the amount a jurisdiction can expect in settlement dollars.

[Continue reading.](#)

Route Fifty

By Elizabeth Daigneau,
Executive Editor, Route Fifty

MAY 30, 2024

[To Drive Revenue, Cities Turn to Tech to Fix Their Parking Problems.](#)

Parking brings in \$3 billion a year for state and local governments. That’s why they are using new technologies to help push parking reforms aimed at streamlining enforcement and increasing revenues and environmental friendliness.

City parking is a pain for drivers and cities both. Drivers searching for the most convenient spot for the least cost add to congestion and greenhouse gas emissions when they repeatedly circle the block looking for an open space. Sometimes they double park, overstay a spot’s time limit or park in bus lanes or safety zones. On the city side, enforcement requires staff for ticketing or arranging for towing or installation of a boot. Equipment and parking lots must be maintained, safety ensured, and payments easy to submit and collect.

But for all the headaches parking causes, it can be a major source of revenue for cities. State and local governments raised \$3 billion from parking charges in 2020, according to Census Bureau data. That’s why many are turning to technology to help drive parking reforms aimed at streamlining enforcement and increasing revenues and environmental friendliness.

Los Angeles, for instance, is preparing to test artificial intelligence to crack down on drivers who park in bus-only and priority lanes.

[Continue reading.](#)

Route Fifty

By Stephanie Kanowitz,
Contributor, Route Fifty

MAY 30, 2024

[Banking Consolidation Raises the Costs for Local Governments to Issue New Debt.](#)

Security underwriting is a pillar of the financial system, since a bond or equity issuer usually relies on an intermediary to take on the risk of its security before it goes to the open market. Newly issued corporate equity, corporate bonds, and municipal bonds (or “muni” bonds) comprised \$102 billion, \$883 billion, and \$410 billion, respectively, in the United States in 2022. Despite the high volume, some [argue](#) that security issuance has not reached its full potential in terms of serving the real economy due to the deterrence of high levels of fees in the underwriting process. In particular, muni bond market watchdogs [warned](#) that issuers could “easily be taken advantage of — urged to issue needless or poorly structured bonds, pushed to accept high interest rates or duped into paying hundreds of thousands in unreasonable fees”, which could have put strain on the US K-12 education system.

How should we view underwriting fees? Are underwriters rightfully compensated for performing their tasks, perhaps because security underwriting is inherently intricate and involves considerable risks? What happens when underwriters possess disproportionate market power and earn economic profits beyond the competitive level? In a recent paper, I direct my attention to the muni bond market. Studying consolidating activities as shifters of underwriter market power, I gain insight into its role in shaping the security issuance market.

Local governments usually issue muni bonds to fund infrastructure projects such as roads and water lines. The muni bond market rivals the corporate securities markets in the total volume of issuance nationally. Compared to the corporate securities underwriting market, though, the muni bond underwriting market is much more geographically fragmented. For example, none of the top three underwriters in California during 2010-2020 was a top ten in Massachusetts, nor vice versa. On the contrary, the top ten corporate bond underwriters were the same in these two states with only slight difference in the rankings, and there was also significant overlap in the corporate equity underwriters. Moreover, muni bond underwriting is a dynamic industry which has seen ample consolidation in recent decades. The average HHI based on local underwriter market shares rose from around 1,000 to 1,500 in the past three decades, accompanying 197 mergers and acquisitions (M&As) deals. These features allowed me to study the effects of M&As to understand both the costs and efficiencies that such consolidation produces and, most importantly, its impact on the local governments that rely on the industry.

[Continue reading.](#)

PROMARKET.ORG

BY RENPING LI

May 20, 2024

[AI Guardrails vs. ‘Guiderrails’: Navigating the Curvy Road Ahead](#)

COMMENTARY | Rather than focusing on guardrails, which try to prevent undesirable outcomes, agencies should consider more proactive guiderails that make generative AI safe and easy to use.

Generative AI adoption and experimentation have exploded in a remarkably short time. According to the business intelligence firm Domo, ChatGPT gets approximately 7,000 prompts (or questions) every minute of every day. And as the technology continues to improve and become more familiar to people, that number will certainly continue its steep climb.

Among early AI adopters are many state and local government employees. Most raise their hand when asked if they have ever tried a generative AI application, but they say they use the technology privately and out of sight of their supervisors. That's because public sector managers and policymakers continue to insist on developing and enforcing guardrails that often restrict AI's use, intentionally or not.

Guardrails typically set boundaries or constraints to prevent systems from operating outside certain predefined limits. These limits include ethical considerations, legal requirements, safety measures and performance thresholds. Guardrails act as safeguards to ensure that systems do not cause harm or deviate from their intended purpose. For example, guardrails might limit a system's decisions or actions to ensure they comply with a governmental authority's ethical guidelines or regulatory standards.

[Continue reading.](#)

Route Fifty

by Alan R. Stark

MAY 22, 2024

[AI And The Municipal Bond Market: Oceans Of Data](#)

The municipal bond market is often described as complex, opaque, and fragmented with multiple sectors, submarkets, and tens of thousands of issuers. Documents and financial statements are mostly in PDF form, not digital. Financial statements lack a consistent taxonomy. All of which contribute to the self-perpetuating myth of that the market is difficult to nearly impossible to neatly organize and categorize.

Except now, with AI technology, this myth is about to be busted. Finally.

In Plain English

In developing English language version of ChatGPT, the engineers had to code in not only all of the spelling, grammar rules (and the exceptions), and definitions of words, but also the various meaning of words both independent of and in conjunction with each other. In all, they had some 400 billion words—individual, combined, and sometimes repeating—to wrestle with. This took up around 570 gigabytes, running through a variety of complex learning algorithms.

Key to ChatGPT developers' success was taking words, which are unstructured data, and making them into structured data. Basically, unstructured data—words, photos, sounds—come with no

inherent numbers or tags a computer can read or understand. Structured data, like numbers in spreadsheets with labelled rows and columns, comes tagged and organized, readily computer legible.

What makes AI technology so formidable is the well-defined data architecture frameworks that can organize, tag, and categorize whatever is presented as unstructured. This is generally referred to as tokenization, where a word or part of a word is assigned a number.

It's not limited to words. Take anything unstructured, apply a number and a tag to it, and it can be transformed into data.

Anything. That includes all the unstructured data in muniland.

Clear Sailing on Oceans of Data

When it comes to data, the municipal bond market has oceans of it. Trading levels, offering documents, financial statements, deal structures, yield curves, professional publications. Name just about any issuer or bond data and it exists.

And, contrary to what some in the market have asserted, from an AI standpoint, the data is very, very good.

Here's why. For one, the reference data is generally standard for bonds. No matter the sector or issuer, there is a coupon, maturity, and so forth. There is a low need for unique identifiers. In most cases, a rose is a rose is a rose is a rose. Thanks or apologies to Gertrude Stein.

Second, as a whole, the market has developed a standard professional vocabulary. Many of these terms are fairly consistent from bond issue to bond issue and from sector to sector. It may be a rare instance where we can actually thank bond attorney's for repetitive boilerplate disclosure language and presentation formats. By codifying the market's linguistic traditions, counsel may have actually paved the way for AI to be applied easier.

The irony that attorneys inadvertently contributed to drafting this law of unintended consequences is not lost.

As for the data overall, one MIT GOV/LAB data researcher noted in a recent publication where he applied various AI analyses on over 4 million bonds in 445,000 issues, "municipal bonds have a high degree of transparency, with large, consistent and easily available datasets stretching back many decades." This may be the first time "municipal bonds" and "transparency" have appeared in the same sentence without the word "lack" between them.

Show Me The (Unstructured) Data

It's not hard to find data in the municipal bond market. It's everywhere. Numerous data aggregators and providers proliferate, including Merritt Research Services, DPC DATA, Bloomberg, Mergent, LSEG, S&P Global Market Intelligence—and others.

But arguably the world's most comprehensive and publicly accessible municipal market database can be found in the Municipal Securities Rulemaking Board's Electronic Municipal Market Access platform, or EMMA for short. As the principal regulator of the municipal securities market and part of its legislated mandate, the MSRB is the repository for all municipal securities disclosure. If it pertains to a publicly offered municipal security, from Official Statements to Annual Comprehensive Financial Reports (ACFR) to rating changes to bond trades and everything in between, it has to be

filed with the MSRB. Municipal trading data and disclosure documents associated with municipal bond issues are available at no charge on EMMA or on a subscription basis in real-time for a fee. In fact, many of the market's fee-for-data providers draw from EMMA.

Structured data, such as on trades, is straightforward enough to download and, after some massaging, readily machine readable for AI analysis.

But it's the enormous volume of rich, unstructured data in the MSRB files that proves more challenging. Start with the Official Statement, referred to as an "OS" by market professionals. The OS is the equivalent of a prospectus for a stock offering. (Note: eventually, the OS will be fully digitized and structured, but we're not there just yet.)

These offering documents have everything an investor could want about a bond issue—final pricing structure, the issuer, the borrower, rating, use of proceeds, operating information, tax opinion. The list goes on. If it pertains to the bond issue, it's in there.

Measuring Up

To take a digital measure of these documents, we first draw from the cornucopia of information in the MSRB Factbooks that a fair estimate of around 185,000 Official Statements were filed from 2009 to 2023.

The MSRB did some analysis on a small portion of Official Statements submitted for a bond issuance. It was found the average OS ran about 150 pages. Multiplying the average number of pages by the number of OS filed over that period and the result comes in at 27,750,000 pages, give or take.

Let's convert those pages into digits. In digital terms, this sentence has about 52 bytes. Each character, which includes spaces and commas and periods, is roughly one byte. A kilobyte has 1024 bytes, somewhat short of a half a page of text, so a full page is around 2.5 kilobytes. A megabyte is 1024 kilobytes and one gigabyte has 1024 megabytes. By some estimates, there are around 178,000,000 words in 1 gigabyte.

A few jabs at the calculator show those 27,750,000 pages weigh in at some 66 gigabytes of data.

That's a fair amount of data, but it leaves out the continuing disclosure bond issuers have to file with the MSRB (well, really the issuer's bond underwriter but that's another [article](#)). Continuing disclosure includes information such as financial statements, redemptions, notice of default, and any other filings required under the law. It adds a lot of data. The OS gets filed once, but the continuing disclosure lasts as long as the bond is outstanding. Some bond issues have 30 year maturities.

Using the MSRB's powerful EMMALabs Disclosure Search Tool, an exceptional technology to pull up numbers from both primary market documents and continuing disclosures, the Lab currently has more than 36 million pages extracted from over 860,000 indexed documents from 2019 to the present, with the average document being 42.6 pages.

A few more jabs at our calculator under this methodology to disclosure documents calculates to around 85 gigabytes of data.

Drawing the Line

The MSRB's line stops there. However, if you go one step further and combine the data from the two methods and time frames, do some back-of-the-excel-spreadsheet calculations and extrapolations, you could estimate the all the OS and disclosure data in those files totals up to a very rough 244

gigabytes. While it is admittedly far from perfect, even if you're off by 10% or 20% on either side, you're likely still in the ballpark.

Myth Busted

Now, remember those 570 gigabytes the ChatGPT engineers needed to organize the English language?

The municipal bond market's vast trove of unstructured data isn't even remotely as complex. The digital amount of unstructured data in those OS and disclosures and financial statements maybe come to half of what ChatGPT required. Moreover, it is more readily standardized, organized, categorized than English.

From Opacity to Transparency

Training ChatGPT models on municipal market language will likely take far less time to develop a MuniGPT. There is no question it's underlying deep learning technology can be applied to the words quietly sitting in those OS and disclosures and financial statements. The benefits to investors and issuers alike from the fount of information that could be released by machine and deep learning analysis to this data is staggering to consider.

But what AI will do is remove the complexity and opacity to de-myth-tify municipal bonds and make them all a bit more generic.

That would not be a bad thing.

Forbes

by Barnet Sherman

May 22, 2024

My genuine appreciation to the Municipal Securities Rulemaking Board for their work in researching and providing data for part of this article.

[A \\$180 Billion Program to Spur Government Spending Is Backfiring.](#)

States and cities are refinancing bonds and causing investor ire because of federal budget cuts more than a decade ago.

In March the University of California system decided to save itself some money. Just like a homeowner with a mortgage when better rates are available, it set out to refinance some of its debt. But then things got complicated. Current bondholders [staged a revolt](#) to stop the \$1 billion deal, hiring a big-name law firm that threatened a lawsuit.

The drama surrounding UC's bond offering is part of a bigger story: the messy demise of a financing program once hailed as a way to use markets to save the US economy. The university system had issued a Build America Bond, part of a federally subsidized program to get the economy moving again in the wake of the 2008 financial crisis. Lenders had pulled back from markets, and Congress and the administration of then-President Barack Obama were looking for creative ways to finance public spending that could generate jobs while upgrading the country's infrastructure.

They came up with BABs as an alternative to traditional municipal bonds. Munis are a cheap way for states, cities and colleges to borrow because the interest they pay is usually exempt from federal and state income taxes. That means the borrower can offer investors a lower rate than a comparable taxable issuer can. The catch is that munis aren't as attractive to a big investor outside the US, such as a Canadian pension plan or a Japanese insurer, because the foreign buyer doesn't benefit from the tax break. BABs would come without the tax break but pay a higher rate, making them appealing to a broader group of global investors. To keep the loans affordable for borrowers, the federal government would pay them back in cash 35% of the interest cost each year.

[Continue reading.](#)

Bloomberg Markets

By Nic Querolo and Amanda Albright

May 23, 2024

[Colleges Ramp Up Debt Sales in Frenzied Race for New Students.](#)

- **Fierce competition drives colleges to renovate campuses**
- **Some borrowings are 'Hail Mary' efforts by colleges, CFO says**

US university students are up to their ears in debt. And, increasingly, so are many US colleges.

From small liberal-arts schools to giant universities, America's ivory towers are on a borrowing binge as part of an effort to spruce up their campuses and lure the next generation of students. In just the last five months, roughly 50 colleges have tapped investors to build student centers, refurbish dorms, and make-over academic buildings as well as refinance debt — to the tune of \$10 billion, according to data compiled by Bloomberg. That volume is more than double from the same time last year.

The fraught economics of higher education are leaving some institutions with an uncomfortable choice: take on more debt in the hope of attracting new students to campus — a bet that doesn't always work out — or risk being left behind in the race for a rapidly dwindling pool of high school seniors. Adding to the peril, borrowing threatens to raise the cost of college, which is already pushing close to \$100,000 a year at some institutions.

[Continue reading.](#)

Bloomberg Markets

By Amanda Albright and Sri Taylor

May 22, 2024

[S&P U.S. Not-For-Profit Health Care Rating Actions, April 2024](#)

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

[Fitch Rtgs to Review Exposure Draft Comments for U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria.](#)

On March 4, 2024, Fitch Ratings published an exposure draft for proposed revisions of its “U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria”. The comment period for feedback on the draft criteria ended on April 18, 2024.

Fitch is reviewing feedback received on the draft criteria report and expects to address comments received and publish the final criteria in 3Q24 or 4Q24. Fitch will publish any written responses it has received, including the name of the respondent, unless the response was clearly marked as confidential.

The exposure draft report details proposed revisions to Fitch’s methodology for assigning Issuer Default Ratings and instrument ratings to U.S. not-for-profit life plan communities (LPCs). LPCs offer independent living and at least one additional level of care, such as assisted living or skilled nursing. LPCs may also offer home and community-based services like home health and adult day care, either directly through affiliated entities.

The exposure draft published on March 4, 2024 is available at www.fitchratings.com.

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[Fitch: FAA Reauthorization Neutral for U.S. Airport Credit](#)

Fitch Ratings-New York-23 May 2024: The FAA Reauthorization Act of 2024 (the Act), recently signed into law, is neutral for U.S. airport credit, Fitch Ratings says. While the Act adds to annual levels of federal capital funding for airport infrastructure improvements, it is not likely to lead to significant changes to U.S. airport finances.

The Act, which reauthorizes the FAA for five years, allocates \$105 billion for the national aviation system and provides a number of enhancements targeting the operating and funding environment for airports, airlines, and the FAA, which was previously operating under short-term extensions since the prior authorization bill expired in 2023. Monies which support much of the federal aviation grants and operating activities are sourced from Airport & Airway Trust Fund, which in turn is funded by multiple aviation excise taxes. The federal General Fund also provides some supplemental

funding.

Positively, the Act increases Airport Improvement Program (AIP) funding to \$4.0 billion per year from \$3.35 billion, a nearly 20% boost to annual funding levels from the prior reauthorization bill. Airports receive funding under the AIP based on passenger volume that can be supplemented with discretionary funding. Smaller airports, including those serving general aviation purposes, will have increased priority to federal grant allocations. In addition, the Act requires the FAA to enhance its workforce development such as additional hiring and training its air traffic controller staff, with the goal of improving flight schedules and safety as traffic growth continues its strong post-pandemic recovery. U.S. airlines are signaling traffic for the summer of 2024 will reach new highs as air travel demand remains strong.

Conversely, the passenger facility charge cap of \$4.50 per flight segment that has been in place since 2000 remains unchanged. Increasing the cap was not anticipated but the fee still provides a critical source of funds that can support airport infrastructure investments.

While increased AIP funding will help defray airport capital budgets, most large and midsize airports will continue to heavily rely on debt to fund infrastructure linked to terminal and airfield projects.

Nationally, airport expansion and modernization capital program costs are rising for projects extending out over the next decade. This is particularly true for certain large-hub airports like LAX (\$15 billion), Metro Washington (\$10 billion) and San Francisco (\$12 billion). The additional funding under the Act will help offset some project cost escalation; however, much of these costs will be passed down to the airlines based on cost recovery rate setting methods via airline operating agreements.

[More Than 70% of Surveyed Water Systems Failed to Meet EPA Cyber Standards.](#)

The agency says it will take certain enforcement actions in cases where there is imminent danger from a cyberthreat against water infrastructure.

Over 70% of water systems surveyed since last September failed to meet certain security standards set by the Environmental Protection Agency, exposing them to cyberattacks that can cripple wastewater and water sanitation systems around the country, the EPA said Monday.

Some facilities have “critical” vulnerabilities spotted in recent EPA inspections, including default passwords that were used to log into platforms and other operational technology during first-time setup but were never updated with new credentials.

The figure was part of an [enforcement alert](#) issued by the agency urging water system owners and operators to shore up their networks’ security by taking inventory of their operational assets, conducting cybersecurity awareness training and transitioning certain systems off the internet, among other things.

[Continue reading.](#)

Route Fifty

By David DiMolfetta,

MAY 21, 2024

[Passenger Rail Keeps Chugging Forward During Infrastructure Week.](#)

Efforts to expand rail have reached significant milestones in recent weeks, from construction on the Northeast Corridor to new funding on Colorado's Front Range.

At Route Fifty, we mark another Infrastructure Week with a look at the roll-out of passenger rail expansions nationwide. Rail has been a major focus for many state and local officials since President Joe Biden took office.

Biden, of course, famously commuted by train from Delaware to Washington, D.C., for decades while he was a U.S. senator. His passion for passenger rail has been on display while he's been in the White House, particularly with his 2021 infrastructure law including \$66 billion for rail improvements.

Many of those efforts have reached significant milestones in recent weeks, from construction on the Northeast Corridor to new funding on Colorado's Front Range.

[Continue reading.](#)

Route Fifty

by Daniel C. Vock

MAY 17, 2024

[S&P: EPA Emissions Rules Could Hamper Power Production Economics And Utility Credit Metrics](#)

Many U.S. electric utilities have made significant strides in reducing or developing plans to reduce power plants' carbon emissions. However, the Environmental Protection Agency's (EPA) recently finalized rules covering existing coal plants and new natural gas plants could create financial and operational pressures for utilities relying on thermal generation resources, which might negatively affect credit metrics. Furthermore, the EPA's ongoing consideration of how to regulate emissions from existing natural gas plants adds to operational and financial uncertainty.

[Continue reading.](#)

16 May, 2024

[Shiny New Things and Public Priorities.](#)

COMMENTARY | The economic growth and civic pride benefits of new stadiums are not enough to compensate for the required public financial commitment.

Just a few weeks after the Chicago Bears unveiled their [plans for a new lakefront stadium](#) with significant public funding, pushback and opposition continue to grow. Not only have the [media](#) and some public officials expressed skepticism about the scale and merits of the proposed “shiny new thing,” but even some of Mayor Brandon Johnson’s most vocal (and progressive) supporters seem perplexed about the mayor’s enthusiasm for the project.

Significant public funding for private development endeavors may make sense when there are significant public benefits to compensate for the public expenses, but in the present case, identifiable public benefits seem scarce. Adding 14 acres of green space for public and youth sports programs along the lakefront? Providing year-round access to new food and drink establishments, retail and other cultural attractions? Ensuring that the city “makes the cut” for the next list of top 25 cities for hosting major sporting events? Seems like a weak set of benefits for hundreds of millions of dollars in public funding.

In fact, considerable evidence and experience indicates that the economic impacts and public benefits of large, publicly subsidized stadiums are usually far less than projected. One recent [survey of over 130 studies of stadiums and other sports facilities](#) concludes that even taking intangibles like civic pride into account, “welfare improvements from hosting teams tend to fall well short of covering public outlays.” In other words, these public investments do not generate positive net returns. Of course, building new facilities can, in principle, generate economic development nearby, but some of that growth reflects re-located activity, not truly new activity. And hosting sporting events in a flashy new facility can contribute to civic pride, but not nearly enough to cover public outlays.

[Continue reading.](#)

Route Fifty

By Paula Worthington

MAY 20, 2024

[Riding the Waves: Five Trends Shaping Municipal Bond Markets in 2024](#)

So far, 2024 has been an interesting year for fixed income investors. The mixture of economic uncertainty along with the Fed’s new ‘higher for longer’ message has thrown many bond investors for a loop. But even amid all the uncertainty, some interesting trends and themes have begun to take shape. This is particularly true for investors in the municipal bond space.

Those trends could shape returns and portfolio position for the back half of the year and into next.

That’s the gist according to new research from Lord Abbett. The asset manager points to five different themes that could shape the muni market. And in those themes, investors have a chance to score some great yields and income.

[Continue reading.](#)

dividend.com

by Aaron Levitt

May 23, 2024

[Technological Advancement in Muni SMAs: Bloomberg Masters of the Muniverse](#)

Higher for longer rates along with continued elevated muni issuance supply may mean attractive entry points for muni investors are here to stay for a bit longer. While reinvestment season is typically a slower time for new issuance, this year is an election year which may mean issuers will want to avoid the uncertainties that come with every election season. Though fund flows and rich ratios remain a concern, the asset class's ability to provide low-risk tax-exempt income remains a key feature, especially if inflation pressures increase.

Joining hosts Eric Kazatsky and Karen Altamirano on the May edition of Masters of the Muniverse is Nisha Patel from Parametric. In this month's episode we discuss the market outlook for the second half of the year and how technology overlays are driving Parametric's strategies to help maximize returns.

[Listen to audio.](#)

May 28, 2024

[Munis See Biggest Sales Boom Since at Least 2013.](#)

- **Borrowings by state and local governments are up 37%**
- **Cities aren't waiting for Fed interest rate cuts to borrow**

US states and local governments, undeterred by high interest rates, have propelled the municipal bond market to the busiest start to a year since at least 2013.

Muni-bond sales have hit \$183 billion so far in 2024, up 37% year-over-year, according to data compiled by Bloomberg. The haul so far this year is about \$50 billion higher than the same period in 2023, the figures show.

Government debt sales have remained light in recent years as cities avoided bond sales because they could lean on pandemic relief aid instead of selling bonds. The uptick in activity is a welcome reprieve for bankers, who had seen dealmaking slump since 2022.

[Continue reading.](#)

Bloomberg Markets

By Aashna Shah and Amanda Albright

May 28, 2024

[Munis Suffer Worst Week Since March 2020 as Supply Wave Weighs.](#)

- **Ten-year muni yields surged 34 basis points this week**
- **Borrowers have sold over \$180 billion of bonds this year**

The \$4 trillion municipal bond market is wrapping up its worst week since early 2020 as an onslaught of issuance weighs on the debt of US states and cities.

Yields on 10-year state and local-government debt have jumped 34 basis points this week, to 2.99% on Friday, for the steepest weekly climb since March 2020, when the onset of the pandemic roiled financial markets, according to data compiled by Bloomberg.

The trigger, investors say, has been a burst of supply. Borrowers have issued more than \$180 billion in long-term municipal bonds this year, making the first five months of 2024 the busiest start to a year in more than a decade by volume, data compiled by Bloomberg show. Issuers trying to get ahead of the November US presidential election and potential changes in tax policy are driving the sales.

[Continue reading.](#)

Bloomberg Markets

By Erin Hudson

May 24, 2024

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

[Download the S&P Report.](#)

[Your Three Minutes In U.S. VRDOs: Regional Bank Exposure - S&P](#)

[Read the S&P Report.](#)

14 May, 2024 | 15:26

[S&P Q1 2024 Tender Option Bond Update: Issuance Plunges Amid High Financing Costs](#)

Key Takeaways

- Tender option bond (TOB) trust issuance was muted in Q1 2024, as fund-sponsored issuance declined due to elevated financing costs.
- Unrated housing issuance accounted for 60% of TOB trust issuance, with bank sponsors pursuing

high-yield opportunities and expanding their low-income housing tax credit portfolios.

- Despite downgrades outpacing upgrades six to five, credit ratings across the TOB trust portfolio remain comfortably investment grade, with 78% above the 'A' category.
- Weekly volatility in the SIFMA Municipal Swap Index decreased significantly in March due to slowing remarketing.
- TOB trust average leverage jumped as funds took advantage of increased returns in the municipal bond market.

[Continue reading.](#)

May 14, 2024

[The City Using Blockchain to Bring Munis to Investors.](#)

JPMorgan is using blockchain technology to bring municipal bonds to investors and the city of Quincy, MA is taking advantage of this. Quincy, MA CFO Eric Mason spoke with Scarlet Fu and Alix Steel on the May 9 episode of "Bloomberg Markets: The Close."

[Watch video.](#)

Bloomberg Markets: The Close

May 13, 2024

[U.S. State Credit Enhancement Programs \(How Fitch Approaches State Enhancement for Local Debt\)](#)

Thirty-six different credit enhancement (CE) programs in 25 states are rated by Fitch Ratings, including 19 intercept programs, six moral obligation programs, four GO guaranty programs, five direct pay commitment programs and one permanent fund. Although most of these programs support K-12 school districts, a few benefit higher education institutions and other local governments. With the exception of permanent funds, the rating for an enhancement program is linked to a state's credit quality and rated under Fitch's "U.S. Public Finance State Governments and Territories Rating Criteria". The first step to determining the value of a state CE program is evaluating whether or not debt service would be paid on time and in full if a borrower misses a payment. An expectation for timely payment of debt service is critical. If the state CE program criteria can be applied, the credit quality of the program replaces the underlying credit quality of the borrower.

[ACCESS REPORT](#)

Fri 17 May, 2024

[Fitch Ratings Details Approach to Rating U.S. State Enhancement for Local](#)

Debt.

Fitch Ratings-New York-17 May 2024: Many U.S. states use credit enhancement programs to broaden market access and lower costs for local governments, according to Fitch Ratings in a new report detailing its approach to rating these programs.

Credit enhancement programs most commonly are tailored to support school districts, but some have been developed for other types of local borrowers. Some states assume even more responsibility for school construction bonds, including Alaska, Connecticut, Delaware, Hawaii, Massachusetts and New Jersey by issuing debt directly for school districts.

In most cases, the creation of a state credit enhancement program does not affect Fitch's view of the state's credit quality. The analysis changes if the contingent liability crystallizes, or appears likely to do so. "If a state's resources have been relied on to cover more than a minimal portion of the obligation during the past three years or if Fitch believes that state resources will be needed going forward, we include this debt as part of the state's long-term liability burden," said Director Tammy Gamerman. "In cases where the inclusion of the debt could have a rating effect, Fitch will assess the credit quality of the expected repayment source to confirm its investment-grade credit quality."

Credit enhancement programs may also have negative state rating implications if they fail. "A state's failure to honor a moral obligation promptly may affect the state's own ratings," said Gamerman. "Similarly, a breach of the state's commitments under a credit enhancement program could also lead to a negative rating action for the program rating and potentially for the state's rating."

Fitch rates 36 different credit enhancement programs in 25 states.

Fitch's overview of "U.S. State Credit Enhancement Programs" is available at www.fitchratings.com.

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[John Miller's Junk Muni Fund Hits \\$1 Billion in Five Months.](#)

- **Miller joined First Eagle after almost 30 years at Nuveen**
- **Fund includes holdings of Brightline train, unrated muni debt**

John Miller's new high-yield municipal-bond fund has amassed \$1 billion of assets in just under five months, drawing buyers eager to invest in the riskiest segment of state and local-government debt.

Miller joined First Eagle Investments in January after nearly three decades at Nuveen, where he built up what is still the largest high-yield muni fund, a market behemoth with a high-risk, high-return strategy that remains among the market's top performers.

"We believe the fund's popularity with investors is attributable to our disciplined investment approach, rigorous credit analysis and attractive income profile," Miller said in a statement on Monday about his First Eagle fund.

[Continue reading.](#)

Bloomberg Markets

By Martin Z Braun and Shruti Singh

May 13, 2024

[How the Bank-Run Bond Market Could Make Clean Energy Cheaper.](#)

Georgia utilities are getting a discount on gas — but paying full price for renewables.

For decades, some towns and cities have been getting a discount on their natural gas supply by locking in long-term contracts with big banks. These prepaid municipal bonds first emerged in the 1990s and are especially popular across the Southeast. They represent more than \$80 billion in prepaid natural gas supply and billions of dollars in savings, according to financial analysis commissioned by [MCE](#).

Recently, towns and cities in California have started locking in similar discounts for renewable energy, lowering electricity bills as they work toward state targets for renewable energy. Since 2021, the California Community Choice Financing Authority has issued prepaid renewable bonds totalling nearly \$10 billion, according to the authority. Like prepaid gas bonds, they help municipalities save 10% or more on long-term energy contracts.

Communities in Michigan, Minnesota and Vermont have all reached out to learn more, said Garth Salisbury, a board member of the Financing Authority and its treasurer and controller. "I think deals are going to get done," he told Capital & Main.

[Continue reading.](#)

capitalandmain.com

By Meg Duff

May 13, 2024

[S&P Cyber Risk Insights: Hackers Are Knocking On The Door Of U.S. Affordable Housing Issuers](#)

Key Takeaways

- Given the differing roles of U.S. affordable housing issuers — owner, lender, and developer — the sector faces varying exposures to event risks stemming from cyber attacks.
- We look for issuers to actively incorporate cyber security into their risk management frameworks. To date, U.S. affordable housing issuers that we rate have not experienced significant operational or financial disruptions resulting from a cyber attack or breach.
- The growing sophistication of cyber attacks means that U.S. affordable housing issuers may need to monitor and adjust risk management practices to evolve with changing threats.

[Continue reading.](#)

14 May, 2024 | 13:19

[Whole-of-State Program Delivers Security that's 'Antivirus On Steroids'](#)

Woodbury, Minnesota, was one of the first cities to take advantage of the subsidized managed detection and response solution.

In Woodbury, Minnesota, the city's 11-person IT department faced a difficult decision. The cybersecurity hardware and software they adopted three years ago was up for renewal, and the new price was more than they wanted to pay.

For CrowdStrike's managed detection and response offering, the city had a 15% discount for the first year through a Center for Internet Security, or CIS, program. The city paid \$51 for each of its 400 devices, "so our cost initially was \$20,400 for the year," said Robert James, Woodbury's information and communications technology director. "When the renewal came around, it was without the initial discount, so it was \$24,000 for the year."

But the [Minnesota Whole-of-State Cybersecurity Plan](#) offered a way forward. Developed by the Minnesota Information Technology Services' Cybersecurity Task Force, the plan offers managed detection and response capabilities through a whole-of-state cybersecurity plan.

[Continue reading.](#)

Route Fifty

By Stephanie Kanowitz

May 13, 2024

[Tech Perspectives: What is the State of Cyber Risk in the Water Sector?](#)

Water utilities are on heightened alert for cyber attacks, so Water Finance & Management chatted with Marty Edwards, Deputy Chief Technology Officer for Operational Technology (OT) and Internet

of Things (IoT) for Tenable. Edwards recently gave recent testimony in Congress, appearing as a witness before in February before the House Homeland Security Committee's Subcommittee on Cybersecurity and Infrastructure Protection. The hearing discussed the increased cyber threats targeting the water sector and the strategy Congress should support to protect water and wastewater systems.

WF&M: Are water/wastewater systems especially vulnerable to cyber attacks compared to other infrastructure systems?

Marty Edwards: As highlighted by recent warnings from the EPA and the White House, cyberattacks targeting water systems are increasingly prevalent because downtime in these systems can be costly. Attackers recognize the consequences to water and wastewater systems if operations go down and prey on this vulnerability and desire to restore operations quickly.

[Continue reading.](#)

MAY 13, 2024

BY WFM STAFF

WATER FINANCE & MANAGEMENT

[Convention Centers Bounce Back as Cities Borrow for Makeovers.](#)

- **Cincinnati is latest entrant with \$292M bond sale for project**
- **Dallas, Austin, Houston all join 'arms race' to lure meetings**

When it comes to convention centers in the US, bigger isn't just better, it's necessary.

The travel industry is roaring back from a pandemic slump, putting pressure on local governments to ensure their cities are equipped with the best facilities to accommodate swanky concerts, sporting events and conferences.

Nationally, convention attendance rose 20% last year to more than 28 million and the industry contributed \$90 billion to gross domestic product, according to the Center for Exhibition Industry Research. However, attendance still trailed pre-pandemic, 2019 levels by 14%.

[Continue reading.](#)

Bloomberg CityLab

By Lauren Coleman-Lochner

May 15, 2024

[S&P: Record U.S. Infrastructure Spending Is Colliding With Higher Construction Costs And Other Hurdles](#)

Key Takeaways

- Infrastructure spending continues to ramp up in 2024 as approximately \$1.8 trillion in federal grants, loans, incentives, tax credits, and other financial assistance works its way into the U.S. economy.
- After dramatic, pandemic-induced increases since early 2021, general inflation as well as construction-related inflationary measures in the Producer Price Index have moderated, which is good news for public project sponsors and engineering and construction (E&C) issuers.
- However, still-elevated prices for some construction inputs, permanent wage-rate increases, and continued worker shortages for skilled trades remain key drivers of overall project cost inflation, resulting in what could be a significantly diminished bang-for-the-infrastructure-buck compared with that originally envisioned by policy makers.
- Both public sector and E&C issuers face hurdles related to federal contracting requirements and regulations, including the Build America Buy America Act; and project labor agreements that can lead to higher costs and/or delays.

[Continue reading.](#)

14 May, 2024 | 17:25

[Your Three Minutes In Electric Power: EPA Emissions Rules Could Hamper Power Production Economics And Utility Credit Metrics - S&P](#)

[Read the S&P Report.](#)

16 May, 2024 | 18:49

[New Federal Rule Will Overhaul Transmission Planning As Electric Grid Strains.](#)

The sprawling rule requires transmission operators to plan along a 20-year horizon and work with states to develop data-driven projections of needs.

A divided Federal Energy Regulatory Commission on Monday issued a long-awaited overhaul of how regional electric transmission lines are planned and paid for, a move cheered by clean power groups but blasted by a conservative commissioner who said it was driven by “special interests” and exceeds the commission’s authority.

The commission’s [final rule](#) on transmission planning and cost allocation, intended to prod utilities and grid operators across the country into more forward-looking, comprehensive and cost-effective planning of large electric transmission lines and better account for the broad benefits those wires provide, was nearly three years in the making. It passed on a 2-1 vote, with the commission’s two Democratic appointees voting yes and the lone Republican opposed.

FERC Chairman Willie Phillips said an aging grid, increasing severe weather, demand growth from new manufacturing, data centers and increasing electrification as well as a changing generation mix all threaten reliability at a time when construction of the high voltage transmission lines that help

get power to where it's needed has slumped to a record low.

[Continue reading.](#)

Route Fifty

By Robert Zullo,
Reporter, New Jersey Monitor

MAY 14, 2024

[Report: At Least \\$630 Billion Needed for Wastewater, Stormwater Over Next 20 Years](#)

The U.S. Environmental Protection Agency recently transmitted a report to Congress outlining clean water infrastructure investments - including wastewater and stormwater system upgrades - that are needed over the next 20 years.

Through the Clean Watersheds Needs Survey, states and U.S. territories report on future capital costs or investment needs to maintain and modernize publicly owned wastewater treatment works, stormwater infrastructure, nonpoint source control, and decentralized wastewater treatment systems like septic tanks.

"Protecting our nations waterways is vital for healthy communities. They provide sources of drinking water, support farming, power economic opportunity and transport and allow for recreation and fishing," said EPA's Acting Assistant Administrator for Water Bruno Pigott. "This survey is an important estimate of needs that is based on information collected from the communities themselves. President Biden has secured the largest investments in history for water infrastructure, putting America in a strong position to help local systems protect our nation's water quality."

[Continue reading.](#)

MAY 20, 2024

BY WFM STAFF

WATER FINANCE & MANAGEMENT

[Exploring the Merits of Municipal Bonds.](#)

While many bond options struggled in April, short-term municipal bonds (munis) emerged relatively unscathed.

BondBloxx analysis found that short-term munis saw total return drop by 0.1% in April. While the lack of gains is not ideal, the relative stability of short-term munis outclassed a wide number of bond options for the month, including intermediate-duration munis.

In addition, BondBloxx noted that the municipal yield curve is inverted, much like the U.S. Treasury

yield curve. This causes yields for shorter maturities to jump. “Investors may now receive enhanced income in shorter-dated municipals relative to longer-dated bonds, but with lower expected risk,” BondBloxx added.

Demand for munis is mounting. The BondBloxx data added that tax-exempt municipal issuance reached roughly \$41 billion in April, outclassing April 2023’s numbers by 21%. This could be a signal that investor interest in munis is mounting.

“For tax-sensitive investors, we believe that municipals offer compelling value relative to broad-based corporates in shorter-dated maturities, and have uncovered opportunities in several subsectors, including housing, healthcare, and higher education,” BondBloxx noted.

Tax-Aware Options

The BondBloxx IR+M Tax-Aware Short Duration ETF (TAXX) can allow investors to harness the potential of short-duration munis. As of May 13th, 2024, nearly 62% of the fund’s holdings are within municipal bonds. The fund pledges to keep at least half of its assets allocated to U.S. dollar-denominated municipal bonds.

TAXX seeks after-tax income by investing in short-duration municipal and taxable short-duration bonds. The fund utilizes an actively managed strategy to adjust holdings and best capitalize on the current U.S. economy. Regarding credit rating, the majority of bonds held by the fund are rated single A or higher.

This strategy is already resonating with investors, despite being a relatively new fund. Since the fund’s launch in March, TAXX has seen net flows of over \$47 million.

ETF TRENDS

by NICK WODESHICK

MAY 15, 2024

[The State of the \\$2 Trillion Local Government Checkbook.](#)

Local governments in the United States spend trillions of dollars each year delivering essential services and infrastructure, with enormous implications for our economy and quality of life. Chris Berry and Justin Marlowe examine the links between municipal governance structures and fiscal outcomes, revealing the state of municipal finances today.

Local government is big business. According to the most recent United States Census estimates, there are 90,837 units of local government. This includes 19,491 municipalities, 16,214 townships, 3,031 counties, 12,546 independent school districts, and 39,555 special districts. In fiscal year 2021, they spent \$2.3 trillion, an amount roughly equal to 10% of U.S. GDP.

These governments deliver a vast portfolio of services and public infrastructure; everything from police and fire protection, public education, water and sewer systems, golf courses, ports, professional sports facilities, cemeteries, and mosquito abatement, just to name a few.

How our local communities are governed has enormous implications for our economy and quality of life. In this article, we discuss the structure of municipal governance and the links between structure

and fiscal outcomes.

[Continue reading.](#)

PROMARKET.ORG

BY CHRISTOPHER BERRY and JUSTIN MARLOWE

April 29, 2024

What the Hazardous Substance Designation of PFAS Chemicals Means for Local Governments.

On April 19, the U.S. Environmental Protection Agency (EPA) released a [final rule](#) designating perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS) as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), also known as the Superfund law. PFOA and PFOS are two of the most widely used and widely studied PFAS chemicals.

NLC has been tracking this rulemaking [since 2022](#) and sharing local government concerns with the EPA. While the recently finalized EPA drinking water regulation for PFAS creates an unfunded mandate for local governments, this CERCLA rule is likely to have significant economic impacts, as well as unintended consequences, for local governments. As such, the NLC urges Congress to act to protect local governments and provide additional resources.

What Does a CERCLA Designation Mean?

With this final rule, PFOA and PFOS are added to the list of over 800 hazardous substances regulated by the EPA. As with all the elements, compounds, mixtures, and solutions designated as hazardous substances, any entity that releases a substance over the allowed limit (in the case of PFOA and PFOS: one pound) needs certain notification and reporting steps.

[Continue reading.](#)

NATIONAL LEAGUE OF CITIES

MAY 6, 2024

Riskiest Tobacco Bonds Slide as a Drop in Smoking Hits Payments.

- **Annual payments from tobacco firms drops to a record low**
- **High-yield debt backed by legal settlement boomed in 2023**

Tobacco bonds faltered to become the worst performers in high-yield municipal debt as a decline in smoking drove the payments that back the securities to a record low.

The debt dropped 0.4% in the year to May 7 compared to a 2.3% gain for the high-yield tax-exempt market, according to data compiled by Bloomberg. US states are receiving a combined \$5.8 billion

from tobacco companies this year, the smallest amount since payments from their legal settlement, which are linked to cigarette shipments, started in 1999.

Though shipments have fallen as the share of Americans who smoke has dropped — government data show almost 12% of US adults are smokers, down from 21% in 2005 — the April announcement on the size of this year's settlement payments nevertheless took investors by surprise. A shrinking supply of the securities and investors' search for yield may yet help the bonds recover.

[Continue reading.](#)

Bloomberg Markets

By Michelle Kaske

May 8, 2024

[BofA, Barclays Municipal Bond Strategists Are At Odds Over Summer Rally.](#)

- **Bank of America sees an 'easy' rally with spreads tightening**
- **In contrast, Barclays remains cautious on surge in bond sales**

Two of the biggest banks in the \$4 trillion municipal bond market are conflicted over whether the summer will bring a rally for state or local government debt or instead leave investors disappointed.

In research notes published within minutes of each other Friday morning, strategists at Barclays Plc and Bank of America Corp. diverged on their outlooks for the next several weeks. BofA portrayed a sunny view — calling for an “easy” rally with credit spreads tightening, while Barclays provided a more cautious outlook.

“We expect the muni market rally during the summer months to be gradual and methodical as the economy is entering a goldilocks zone and macro market volatilities come down steadily,” the BofA group led by Yingchen Li and Ian Rogow wrote in a note to clients.

[Continue reading.](#)

Bloomberg Markets

By Danielle Moran

May 10, 2024

[Muni Mega Deals Set to Smash Record on Lower Rates, Higher Costs.](#)

- **Issuers rush to refinance, pay for more expensive projects**
- **Buyers seize chance to add large, liquid issuers to positions**

States and municipalities are demonstrating an explosive demand for debt two years after the Fed first suppressed bond sales with a series of 11 interest rate increases.

Nowhere is this more evident than in the number of bond sales of \$1 billion or more, long a rarity in municipals. There have been 22 so far this year, putting the market on pace to smash the previous annual record of 26 set in all of 2020, according to data compiled by Bloomberg. Those deals account for almost one-quarter of the year's \$154 billion in long-term borrowing.

"I've never seen deal sizes like this," said JB Golden, portfolio manager for Advisors Asset Management. He said the large deals make it easier for smaller firms to get access to bond sales, a welcome development.

[Continue reading.](#)

Bloomberg Markets

By Joseph Mysak Jr

May 9, 2024

[Fitch Updates Public-Sector Counterparty Obligations in PPP Transactions Rating Criteria.](#)

Fitch Ratings-Sao Paulo/New York-08 May 2024: Fitch Ratings has updated its criteria for rating public sector counterparty obligations in public private partnership (PPP) transactions. The criteria updates and replaces the prior report from April 2022.

The criteria report continues to set out 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.

With this update, Fitch expands the scope to include obligations of government-related entities (GREs) within the U.S. following publication of the U.S. Public Sector, Revenue-Supported Entities Rating Criteria in January 2024 which allowed for U.S.-based GREs. This report also updates references to other criteria including to the U.S. Public Finance Local Government Rating Criteria and U.S. Public Finance State Governments and Territories Rating Criteria, both published in April 2024.

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

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

[Fitch Updates U.S. Housing Finance Agency Loan Program Rating Criteria.](#)

Fitch Ratings-San Francisco/New York-10 May 2024: Fitch Ratings has updated its master criteria for rating Housing Finance Agency (HFA) affordable housing loan securitization program bonds. The criteria updates and replaces the prior report from May 2022.

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

[High-Yield Munis Could Be Interesting.](#)

Broadly speaking, bonds are lagging again this year. As of April 2022, the Bloomberg U.S. Aggregate Bond Index was lower by 3% year-to-date. This slump affects municipal bonds, highlighted by a 1% decline since the start of the year by the ICE AMT-Free US National Municipal Index. However, there are pockets of strength in the municipal bond space. Perhaps to the surprise of some fixed investors, muni bullishness can be sourced via high-yield fare.

For example, the VanEck High Yield Muni ETF (HYD) is higher by almost 1% year-to-date, confirming investors have been rewarded for adding a bit of risk with municipal debt.

High-yield implies higher risk when it comes to bonds. Still, the \$2.91 billion HYD, which turned 15 years old in February, isn't excessively risky. The ETF allocates 31.42% of its weight to bonds with investment-grade ratings, compared to 26.30% with junk grades.

HYD Risk Could Be Worth the Reward

Indeed, an ETF such as HYD carries more risk than an investment-grade equivalent. However, the VanEck offering compensates investors for that risk as highlighted by a 30-day SEC yield of 4.49%. That is well above what we find on municipal bond funds with higher credit quality. Additionally, HYD could merit attention by tactical, affluent investors.

"We believe high-yield munis are an asset class that carries additional risks, but is worth consideration by investors in higher tax brackets who are comfortable taking added risks," noted Cooper Howard of Charles Schwab. "If the economy continues to remain resilient and yields don't move substantially higher, the total return prospects for high-yield munis look favorable, in our view."

Some fixed income experts argue that current yields on high-yield munis aren't elevated enough to merit consideration. However, that's also a sign prices on these bonds, including HYD holdings, weren't as adversely affected by rising interest rates. On that note, HYD outperformed "the Agg" by 270 basis points over the past three years.

We can attribute some of HYD's less bad performance over that span to an effective duration (currently 6.74 years) that puts the ETF in intermediate-term territory. That segment of the bond market is typically less vulnerable to rising rate than long duration debt.

High-Yield as an Alternative

As Schwab's Howard noted, high-yield munis may currently be a credible alternative to junk corporate bonds for wealthy market participants.

"The difference in yields fluctuates, but more often than not, high-yield corporate bonds yield more than high-yield munis because of their lack of tax benefits," he concluded. "Today, the difference in yields is about 3.2% which is above the longer-term average but near the level over the past two years. In other words, high-yield munis are not overly attractive at these levels, but also not overly unattractive, in our view."

ETF TRENDS

by TODD SHRIBER

APRIL 29, 2024

[Can Newly-Divided Congress Fuel Municipal Bond ETFs?](#)

Infrastructure spending—it's one of the few things, if any, that Democrats and Republicans can agree on, but with the newly-divided Congress, can this fuel municipal bonds exchange-traded funds (ETFs) moving forward?

Following Tuesday's results, the post midterm-election rally was in full swing the next day with the major indexes gaining as the Democrats took majority control of the House of Representatives, while the Republicans maintained their majority in the Senate. The general consensus among analysts, political and economic alike, is that a divided Congress will create political gridlock, which typically benefits the capital markets.

For example, a split Congress could help damper U.S. President Donald Trump's tariff-for-tariff battle with China, which has roiled the markets despite its historic bull run prior to October's sell-off. However, with both the Democrats and Republicans seeing eye-to-eye on infrastructure spending, it could bring forth a resurgence in municipal bonds—a boon for muni bond ETFs like the iShares National Muni Bond ETF (MUB), SPDR Nuveen Bloomberg Barclays ST Municipal Bond ETF (SHM) and Vanguard Tax-Exempt Bond ETF (VTEB).

"We have a lot of things in common on infrastructure," said U.S. President Donald Trump following the midterm election results.

The case for infrastructure spending is evident in the latest numbers from the American Society of Civil Engineers (ASCE), which estimates that the total cost of leaving the potholed roads, aging

airports and rusting bridges in a state of disrepair would amount to more than \$4 trillion by the year 2025. Furthermore, the ASEE estimates the gap the gap necessary to maintain existing infrastructure is \$1.4 trillion.

Investment-Grade Bond ETFs Tick Higher

Investment-grade bond ETFs like the iShares 1-3 Year Credit Bond ETF (CSJ) and Xtrackers Inv Grd Bd Intst Rt Hdg ETF (IGIH) ticked higher. CSJ ticked up to 0.03% and IGIH rose 0.63%.

CSJ tracks the investment results of the Bloomberg Barclays U.S. 1-3 Year Credit Bond Index where 90 percent of its assets will be allocated towards a mix of investment-grade corporate debt and sovereign, supranational, local authority, and non-U.S. agency bonds that are U.S. dollar-denominated and have a remaining maturity of greater than one year and less than or equal to three years—this shorter duration is beneficial during recessionary environments.

IGIH seeks investment results that track the performance of the Solactive Investment Grade Bond – Interest Rate Hedged Index where a portion IGIH’s total assets will reside in long positions in U.S. dollar-denominated investment-grade corporate bonds. As in the case of IGHG, this strategy effectively eliminates exposure to riskier bonds with fund allocations in investment-grade issues.

aol.com

November 9, 2018 at 10:29 AM

[Fitch: US Credit Momentum Will Be Tempered by Rate Uncertainty](#)

Fitch Ratings-New York-03 May 2024: Interest rates remain a key risk for U.S. credit following a strong 1Q24 characterized by robust domestic demand, improved market liquidity and a sharp rise in bond issuance, Fitch Ratings says in its new U.S. quarterly credit brief Fitch Wire+ report.

Sticky inflation has renewed uncertainty about the extent and timing of future rate cuts by the Federal Reserve. The likelihood of a no-landing scenario, in which growth and interest rates remain largely unchanged, has increased, elevating credit risks for rate-sensitive asset classes, including real estate, high yield corporate debt, certain financial institutions and subprime consumer securitizations. This could cause commercial real estate and lower credit quality consumer loan delinquencies and corporate defaults to rise more than currently anticipated.

Increased risk appetite and investor confidence, as reflected in primary and secondary credit market data and lending, were contingent upon a more aggressive rate cutting agenda than is now likely. Credit spreads and other risk assets have reversed some of their bullish momentum in the early weeks of 2Q24 as investors rein in their expectations for significant monetary policy easing.

Fitch revised its 2024 U.S. real GDP growth forecast to 2.1% in March from 1.2% in December and expects growth will slow to a significantly below-trend rate later this year. Our forecasts for individual sectors point to a relatively benign base case, and we expect broad ratings stability across asset classes, reflecting the strong economy, robust ratings cushions, and structural protections.

Upgrades and downgrades were broadly balanced in the first three months of 2024, while Positive Outlooks and Watches exceeded Negative Outlooks and Watches at the end of the quarter. However, the higher percentage of sub-investment-grade ratings on Negative Outlook versus investment-grade

ratings reflects pressures related to higher leverage, refinancing risk and deteriorating asset quality.

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[SIFMA US Municipal Bonds Statistics.](#)

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

YTD statistics include:

- Issuance (as of April) \$143.2 billion, +26.2% Y/Y
- Trading (as of April) \$12.5 billion ADV, -1.5% Y/Y
- Outstanding (as of 4Q23) \$4.1 trillion, +0.5% Y/Y

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May 3, 2024

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

[View the Current List.](#)

2 May, 2024

[Forbes: AI And The Municipal Bond Market.](#)

AI is rapidly reengineering the \$4 trillion Municipal Bond Market. No part of the market is going to be untouched. Trading, pricing, underwriting, credit analysis, compliance, disclosure, regulations—every bit of it is being transformed. In five years, the municipal bond market as it exists today will look vastly different. Wringing out existing inefficiencies and opaqueness, AI will ultimately create billions in value for investors and save issuers billions in interest expenses.

Okay, okay. That sounds a bit hyperbolic, but I'm going to stand by it. Yes, AI has been hyped to atmospheric levels, with grandiose pronouncements that it will surpass human intelligence in just two years. On the other hand, one wag quipped when I mentioned I was writing about Artificial Intelligence in the muni market, "I thought most intelligence in the muni market was artificial."

Snark all you want or dismiss this as starry eyed overenthusiasm for the latest shiny new toy, but AI is driving the world forward in incalculable ways. Be it robotics or breast cancer detection or fashion choices, AI often does it better than its human counterparts.

The municipal bond market is not immune. AI is moving the market into the 21st century, whether some like it or not.

[Continue reading.](#)

Forbes

by Barnet Sherman

May 6, 2024,

[U.S. State Medicaid Transition: Stable Condition Near Term, With Outyears Demanding Care - S&P](#)

Key Takeaways

- U.S. states' credit quality has held steady after Medicaid and Children's Health Insurance Program (CHIP) reimbursement rates returned to unenhanced levels following the Jan. 1, 2024, stepdown of the pandemic-related eFMAP.
- States' compressed 12- to 18-month timeline to work through the backlog of eligibility redeterminations could complicate financial forecasting and budgeting for the state-share of Medicaid costs in fiscal 2025 and beyond.
- Medicaid could consume a larger share of state budgets, which could have credit implications if they are compounded by other operating pressures.
- Supplemental federal government support could wane in the future, necessitating proactive program management and making long-term planning integral to states' financial stability and credit quality.

[Continue reading.](#)

2 May, 2024

Fitch: FTC Ban on Non-Competes Complicates NFP Hospital Staffing Issues

Fitch Ratings-Austin/New York/Chicago-02 May 2024: The recently announced Federal Trade Commission (FTC) rule banning non-compete clauses could add staffing complications to not-for-profit (NFP) hospitals that are still adapting to the upward reset of wages and have only recently begun to rein in labor costs, Fitch Ratings says.

The rule prohibits non-compete provisions in employment contracts, with the exception of existing agreements with senior executives. The rule, which would go into effect 120 days following publication in the Federal Register on April 30, 2024, has already been challenged in court and implementation is likely to be delayed as the rule is litigated.

The FTC indicates in the rule that non-profit organizations are “not categorically beyond” the FTC’s jurisdiction and that it looks to whether an entity or its members derive a profit. The rule notes that employees of a physician group that work at an NFP hospital would fall under the FTC’s jurisdiction and are therefore subject to the rule.

[Continue reading.](#)

S&P: Preliminary 2023 Medians For U.S. Acute Health Care Providers Indicate Continued Operating Pressures For Many

Key Takeaways

- U.S. acute health care providers’ preliminary 2023 performance-related medians show only modest, if any, improvement from the 2022 medians; we expect slight improvement once we have reviewed the full group of 2023 audits.
- Days’ cash on hand continues to fall, as providers’ expenses rise, with growth in unrestricted reserves having limited impact on this ratio in the near term.
- Outlook revisions in first-quarter 2024 could suggest potential stabilization slowly emerging, but rating actions still vary month to month.

[Continue reading.](#)

30 Apr, 2024

S&P: U.S. Not-For-Profit Health Care Covenant Violations Will Continue To Affect Pressured Issuers

Key Takeaways

- S&P Global Ratings has observed an increased number of technical covenant violations in U.S. not-for-profit health care over the past two fiscal years, largely attributable to operating weakness stemming from persistent industry difficulties and inflationary pressure on expenses.
- Providers have avoided bond acceleration as a result of covenant violations, as most organizations received waivers or forbearance agreements from lenders to allow time to remedy covenants or

execute financial improvement plans, while a few merged with a larger and financially stable organization.

- The majority of providers that have breached covenants have been in the 'BBB' and speculative-grade rating category.
- While many providers are on a path to recovery, we expect some will still experience heightened covenant violation risk in 2024 as they continue to face significant operating pressures.

[Continue reading.](#)

29 Apr, 2024

Muni Bond Sales Soar as Issuer Needs Exceed Worry on Fed.

- **Year-to-date sales reach \$142.8 billion, highest since 2015**
- **States, cities still see debt costs as relatively attractive**

States and municipalities sold \$142.8 billion in long-term municipal bonds during the first four months of 2024, the most in almost a decade, as the need to borrow outweighed concerns over higher interest rates that afflicted investors in the market.

This year's surge follows a 20% decline in issuance in 2022 and a flat 2023, according to data compiled by Bloomberg. The amount of borrowing so far is 33.3% higher than last year and the most for the period since \$144.3 billion in 2015.

The sales boom runs counter to munis' performance, with a year-to-date loss of 1.62%, according to Bloomberg indexes. Treasury and other debt markets have dropped as economic data signal sticky inflation likely will push the Federal Reserve to keep borrowing costs at a more than two-decade high.

[Continue reading.](#)

Bloomberg Markets

By Joseph Mysak Jr

May 1, 2024

Worst Returns Since September Show Munis Vulnerable to Fed Talk.

- **April's 1.24% loss tracks credit markets drop on rates review**
- **Pickup in supply, slack funds demand also weighed on muni debt**

Municipal bonds this month showed that all credit markets are vulnerable to the worry over interest rates remaining high, producing their worst performance since September.

US state and local debt is on track to post a loss of 1.24% in April, according to Bloomberg indexes. Treasury and other debt markets have been selling off as economic data indicates persistent inflation pressures.

Wall Street firms and investors have tempered their expectations for interest-rate cuts in 2024, now anticipating the Federal Reserve will hold borrowing costs at a more than two-decade high at its meeting on Wednesday.

[Continue reading.](#)

Bloomberg Markets

By Aashna Shah

April 30, 2024

Municipal Bond Q1 2024 Performance.

The first quarter of 2024 brought some notable shifts in the municipal bond landscape, reflecting broader economic trends and market dynamics. Although interest rate fluctuations drove a slight decline broadly, investment-grade municipals held up better than most comparable quality taxable fixed income sectors, and high yield munis performed on par with high yield corporates. By the end of the quarter, we saw muni yields rising particularly in the short end of the curve, an increase in issuance and narrowing spreads, which may create buying opportunities for investors. The first quarter of 2024 brought some notable shifts in the municipal bond landscape, reflecting broader economic trends and market dynamics.

The ICE Broad Municipal Bond Index (MUNI) experienced a modest decline of -0.28% during this period, following a robust 5.99% return in 2023. This dip was primarily influenced by interest rate volatility, driven by stronger-than-expected economic data and inflation figures. Consequently, expectations for policy rate cuts in 2024 were pushed back, causing municipal yields to rise across the curve. Short-term yields saw a more pronounced increase compared to intermediate and long-term yields, resulting in a flatter municipal yield curve.

The changing outlook on policy rates also impacted the U.S. Treasury (UST) curve, albeit to a lesser extent. The term structure shift indicated a decreased risk premium for interest rates. Longer-dated bonds underperformed shorter-dated ones due to their higher interest rate sensitivity. However, A-rated and BBB-rated bonds outperformed among quality cohorts, as their higher yields helped offset the impact of rising rates.

[Continue reading.](#)

VANECK

By Michael Cohick, Director of Product Management

MAY 4, 2024

Today's Municipal Bond Opportunity in Two Charts.

Higher yields and a steeper muni curve may signal an attractive entry point for investors.

“Now’s the time,” as music legends Charlie Parker and Led Zeppelin have urged listeners (in different recordings, of course). Based on two current market trends, that message may be one municipal bond investors may also wish to heed.

Why? As the illustrations below will show, municipal bond yields remain near their highest levels in over 10 years, while the municipal yield curve is close to its steepest level in over a decade. We believe these conditions present investors with an extremely attractive entry point for new investments in munis, or to add to existing holdings.

Let’s take a closer look at these trends.

[Continue reading.](#)

Lord Abbett

By Donald A. Annino - Investment Strategist

May 2, 2024

[Why This Top-Rated Muni-Bond Fund Is Betting Big on Puerto Rico.](#)

The municipal-bond market is often driven by retail investors, who can be spooked into selling by negative headlines. Scott Diamond finds opportunity there.

The co-manager of the \$9.3 billion Goldman Sachs Dynamic Municipal Bond fund has the flexibility to snap up beaten-up issues wherever he spots inefficiencies in the muni-bond market, as the go-anywhere approach allows him to deviate from the fund’s benchmark duration and credit.

That flexibility—and Diamond’s two decades-plus experience managing Dynamic Muni—allowed the fund to beat 93% of its muni-bond peers over a 10-year period, with a 2.6% annualized return versus 1.9% for its peers, according to Morningstar. It has also outperformed its benchmark Bloomberg Municipal Bond 1-10 Year index, which also returned 1.9% over that time.

[Continue reading.](#)

Barron’s

By Debbie Carlson

May 01, 2024,

[GFOA: Generative AI and Local Governments](#)

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

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

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

[Download the GFOA report.](#)

Publication date: April 2024

Authors: Katherine Barrett and Richard Greene

[**A Range of Emerging Fiscal Risks Could Disrupt State Budgets.**](#)

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

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

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

Demographic Shifts Pose Risks to State Budgets

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

[Continue reading.](#)

ROUTE FIFTY

by PETER MULLER

APRIL 26, 2024

[**Many Large U.S. Cities Are In Deep Financial Trouble. Here's Why.**](#)

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

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

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

[Continue reading.](#)

cnbc.com

APR 25 2024

[EPA Issues PFAS Enforcement Discretion Policy Addressing Environmental Cleanup Liability: Spencer Fane](#)

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

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

Entities Entitled to PFAS Enforcement Discretion

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

[Continue reading.](#)

Spencer Fane LLP - Andrew C. (Drew) Brought

April 29, 2024

S&P U.S. Public Finance Housing Rating Actions, First-Quarter 2024

[View the Rating Actions.](#)

25 Apr, 2024

Fitch: Southwest Airlines' Service Reduction Does Not Affect U.S. Airport Credit

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

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

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

Southwest had only initiated services at SYR within the past three years and the impact of its exit on SYR should be modest as Southwest represents less than 10% of the airport's enplanements in fiscal 2023. SYR hit a record 1.3 million enplanements in fiscal 2023 and has a strong financial profile with a relatively small debt burden, negative leverage profile, and a hybrid agreement that provides for sufficient cost recovery. The airport has seen a healthy level of competition from legacy airlines as well as a number of low-cost carriers such as Breeze Airways, Frontier, and Allegiant (BB-/Negative), among others.

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

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

cost-focused carriers in particular will continue to evaluate their networks and assess the need to cease or reduce service at select airports that are less profitable.

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[Rockefeller Hires Ex-Invesco Portfolio Managers for Muni Roles.](#)

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

Scott Cottier, Mark DeMistry, and Michael Camarella will help launch new high-yield muni investment strategies for the firm. They start in mid-June, will be based in Rochester, New York, and report to Alex Petrone, director of fixed income.

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

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

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

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

Bloomberg Markets

By Amanda Albright and Martin Z Braun

April 22, 2024

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

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

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

What are prepaid gas bonds?

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

How does the transaction work?

[Continue reading.](#)

lordabbett.com

By Donald A. Annino, Wells Chen

April 23, 2024

[Bonds Look Enticing Even If Rate Cuts Come Later Than Expected.](#)

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

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

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

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

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

A Treasury and Muni Option to Consider

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

The Barron's report also mentioned munis, so another fund to consider is the well-diversified Vanguard Tax-Exempt Bond ETF (VTED). The fund tracks the Standard & Poor's National AMT-Free Municipal Bond Index, which measures the performance of the investment-grade segment of the U.S. municipal bond market. Overall, this index includes municipal bonds from issuers, primarily state or local governments or agencies whose interests are exempt from U.S. federal income taxes, and the federal alternative minimum tax. Its 30-day SEC yield is 3.49%.

ETFTRENDS.COM

by BEN HERNANDEZ

APRIL 23, 2024

[Municipal CUSIP Request Volumes Rise for Second Consecutive Month.](#)

NORWALK, Conn., April 18, 2024 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for March 2024. The report, which tracks the issuance of new security identifiers as an early indicator of debt and capital markets activity over the next quarter, found a monthly increase in request volume for new municipal identifiers, while requests for corporate identifiers slowed on a monthly basis.

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

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

(62).

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

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

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

[SLFRF Portal Updates for April 2024.](#)

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

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

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

[Continue reading.](#)

National League of Cities

by Michael Gleeson

APRIL 15, 2024

[Mintz: EPA Has Now Listed Two PFAS as Hazardous Substances Under CERCLA. Hold Onto Your Hats.](#)

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

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

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

[Continue reading.](#)

Mintz - Jeffrey R. Porter

April 19, 2024

[PFOA and PFOS are CERCLA Hazardous Substances; Prepare Accordingly](#)

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

Release Reporting

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

PFAS Enforcement Discretion Policy Announced

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

[Continue reading.](#)

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

April 19 2024

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

[View the Current List.](#)

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

[Fitch U.S. Public Finance Rating Actions Report and Sector Updates: First-Quarter 2024](#)

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

[ACCESS REPORT](#)

Wed 17 Apr, 2024

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

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

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

[S&P U.S. Higher Education Rating Actions, First-Quarter 2024](#)

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

[Continue reading.](#)

18 Apr, 2024

[S&P: U.S. Charter School Rating Actions, First-Quarter 2024](#)

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

[Continue reading.](#)

15 Apr, 2024

[Public Funding for Sports Stadiums: A Primer and Research Roundup](#)

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

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

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

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

[Continue reading.](#)

The Journalist's Resource

by Clark Merrefield | April 10, 2024

[Simplifying Federal Grant Compliance for All Municipalities.](#)

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

Over the past two years, NLC has been working with the Majority Staff of the Senate Homeland Security and Government Affairs Committee (HSGAC) on drafting a bill that would help municipalities better navigate the federal grant process.

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

[Continue reading.](#)

National League of Cities

by Michael Gleeson

APRIL 12, 2024

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

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

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

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

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

[Continue reading.](#)

Bloomberg Technology

By Jake Bleiberg

April 19, 2024

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

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

A Supreme Court case on the [limits of vagrancy laws](#) is making allies of rural towns and big cities at their wits' end over [homelessness](#).

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

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

[Continue reading.](#)

The Wall Street Journal

By Jess Bravin

April 21, 2024

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

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

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

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

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

[Continue reading.](#)

governing.com

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

[3 Tips for Short-Term Land-Use Planning.](#)

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

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

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

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

[Continue reading.](#)

Route Fifty

By John R. Gillison

APRIL 19, 2024

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

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

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

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

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

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh and Nic Querolo

April 19, 2024

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

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

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

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

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

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh

April 18, 2024

[Beyond the Safety Net: Understanding the Hidden Risks of General Obligation Municipal Bonds](#)

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

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

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

[Continue reading.](#)

dividend.com

by Aaron Levitt

Apr 17, 2024

[LA Unified School District Seeks to Shed Build America Bonds.](#)

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

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

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

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

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

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

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

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

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

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

Bloomberg Markets

By Maxwell Adler

April 19, 2024

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

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

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

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

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

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh and Nic Querolo

April 19, 2024

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

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

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

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

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

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh

April 18, 2024

Climate Risks Fuel Niche Market in Muni-Bond Funds.

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

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

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

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

[Continue reading.](#)

Bloomberg Green

By Lauren Coleman-Lochner

April 16, 2024

From Climate to Cyber to Politicization, Mega Trends Impacting Municipal Market.

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

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

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

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

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

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

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

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

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

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

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

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

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

sales tax revenue. Absent a change in remote work, major cities will continue to face these revenue challenges.

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

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

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

By David L. Dubrow

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

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

- **Nuveen's Blair says effect may be seen 'when it's risk off'**
- **BlackRock's Carney sees support in Citi bankers at new firms**

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

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

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

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

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

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

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

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

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

BAB Brouhaha

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

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

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

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

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

Bloomberg Markets

By Amanda Albright and Danielle Moran

April 16, 2024

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

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

A Best-Case Scenario

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

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

[Continue reading.](#)

National League of Cities

by Michael Wallace

APRIL 2, 2024

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

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

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

What Is the IFACGP?

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

[Continue reading.](#)

Holland & Knight Alert

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

APRIL 3, 2024

['Artificial Intelligence Is Not Innovation,' It's a Tool. How Governments Use It Will Vary.](#)

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

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

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

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

[Continue reading.](#)

ROUTE FIFTY

by CHRIS TEALE

APRIL 12, 2024

[Fitch: More Bond Issuance Likely for U.S. Community Development Financial Institutions](#)

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

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

Fitzgerald.

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

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

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

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

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[Fitch: Skilled Nursing Beds Weigh on LPC Operating Performance](#)

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

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

Of the eight LPCs downgraded in 2023 due to operational challenges (compared to downgrades driven by debt issuance), half were SNF-heavy LPCs, even though these LPCs make up just over a quarter of Fitch’s rated portfolio. For these LPCs, SNF beds as a percentage of total units ranged

from 23% to 61%. SNF-heavy LPCs also compose half of the 10 LPC ratings currently on Negative Outlook or Rating Watch Negative due to operational stress.

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

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

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

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

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

Fitch Ratings published an exposure draft that proposes revisions to its rating criteria for U.S. not-for-profit LPCs. One of the proposals is to cap the revenue defensibility assessment of SNF-heavy LPCs at 'bbb'. Fitch is actively soliciting market feedback on the proposed criteria by April 18, 2024. Please see [Fitch Ratings Publishes Exposure Draft for U.S. Life Plan Communities Rating Criteria](#) for details.

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

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

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

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

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

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

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

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

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

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

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

[Continue reading.](#)

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

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

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

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

[Continue reading.](#)

['Valuable and Largely Overlooked:' Interest in Virtual Power Plants Grows](#)

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

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

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

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

[Continue reading.](#)

Route Fifty

By Robert Zullo,
New Jersey Monitor

APRIL 11, 2024

[Powering Down: To Prevent Wildfires, States Try Turning Off the Grid.](#)

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

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

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

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

[Continue reading.](#)

Route Fifty

By Kyri Baker,
The Conversation

APRIL 12, 2024

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

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

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

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

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

[Continue reading.](#)

Route Fifty

By Carten Cordell,
Managing Editor, Government Executive

APRIL 5, 2024

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

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

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

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

[Continue reading.](#)

April 12 2024

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

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

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

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

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

[Continue reading.](#)

The New York Times

By Lisa Friedman

April 10, 2024

[What to Know About the EPA Limits on 'Forever Chemicals' in Drinking Water and Your Health.](#)

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

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

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

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

addition to the water supply.

[Continue reading.](#)

The Wall Street Journal

By Nidhi Subbaraman

Updated April 10, 2024

Where Do Utility Legal Settlements for PFAS Stand?

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

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

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

[Continue reading.](#)

Water Finance and Management

By Ken Sansone & Mike DiGiannantonio

APRIL 8, 2024

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

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

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

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

[Continue reading.](#)

WATER FINANCE & MANAGEMENT

BY ANDREW FARR

APRIL 11, 2024

[Dismantling Misconceptions: The Stability of High Yield Municipal Bonds](#)

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

They may not be that risky at all.

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

Revenue-Backed Bonds

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

[Continue reading.](#)

dividend.com

by Aaron Levitt

Apr 10, 2024

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

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

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

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

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

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

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

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

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

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

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

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

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

"The yields tend to be lower than what you can get on high-quality corporate bonds or Treasury bonds," said Leyda. "However, the tax-equivalent yield is usually at parity with taxable bonds. It is

always advisable to understand the credit quality, the interest-rate sensitivity and the underlying corporate health of all bond issues.”

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

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

investmentnews.com

By Gregg Greenberg

April 10, 2024

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

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

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

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

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

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

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

A Short-Term Bond ETF Solution

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

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

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

ETF TRENDS

by BEN HERNANDEZ

APRIL 10, 2024

BlackRock: Municipal Issuance Eclipsed Expectations

Municipals deliver strength ahead of seasonal shift

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

[Continue reading.](#)

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

Morningstar: Is Now the Time for Munis?

Here are three municipal-bond funds we like.

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

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

[Continue reading.](#)

Morningstar

Thomas Murphy, CFA

Apr 9, 2024

[**New ETF Looks to Profit from Municipal Bonds.**](#)

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

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

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

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

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

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

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

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

cnbc.com

by Emily Glass

APR 6 2024

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

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

[LEARN MORE](#)

SIFMA US Municipal Bonds Statistics

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

YTD statistics include:

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

[Download xls](#)

Fitch Publishes US State Governments and Territories Criteria to Replace US Tax-Supported Criteria.

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

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

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

Primary changes include:

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

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

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Additional information is available on www.fitchratings.com

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

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

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

[Continue reading.](#)

29 Mar, 2024

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

- **Growing academic health-care systems squeeze schools’ finances**
- **Hospitals continue to struggle with higher costs for labor**

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

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

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

[Continue reading.](#)

Bloomberg Markets

By Lauren Coleman-Lochner

April 8, 2024

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

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

[Free Registration Required]

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

[View the Current List](#)

4 Apr, 2024

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

[View the Current List.](#)

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

[View the Current List.](#)

4 Apr, 2024

[Public-Sector Workforce Returns to Pre-Pandemic Levels, but Gaps Persist](#)

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

In Brief:

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

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

[Continue reading.](#)

governing.com

by Zina Hutton

April 5, 2024

[Billions in Earmarks Headed to States and Cities.](#)

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

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

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

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

[Continue reading.](#)

ROUTE FIFTY

by KERI MURAKAMI

APRIL 1, 2024

[Munis Post Rare 0.0% Return in March as Fed Keeps Waiting to Cut.](#)

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

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

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

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

[Continue reading.](#)

Bloomberg Markets

By Nic Querolo and Skylar Woodhouse

April 3, 2024

[First Issue of GFOA's Public Finance Journal Released.](#)

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

[View the Journal.](#)

[NASBO State Expenditure Report.](#)

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

Overview: Fiscal 2021-2023

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

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

[Continue reading.](#)

National Association of State Budget Officers

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

[Governments.](#)

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

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

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

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

[Continue reading.](#)

The Brookings Institution

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

March 15, 2024

[Housing-Bond Sales Hit 10-Year High as Mortgage Rates Stay Lofty.](#)

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

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

The 57% year-over-year jump in issuance of housing bonds coincides with a period of lower

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

[Continue reading.](#)

Bloomberg Markets

By Melina Chalkia

March 27, 2024

[A New Pitch for Ballparks as Downtown Development.](#)

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

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

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

[Continue reading.](#)

Bloomberg CityLab

By Mark Byrnes

March 28, 2024

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

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

[Continue reading.](#)

Thu 28 Mar, 2024 - 5:16 PM ET

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

Key Takeaways

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

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

28 Mar, 2024

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

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

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

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

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

[Continue reading.](#)

smartcitiesdive.com

by Ysabelle Kempe

March 27, 2024

[**NLC and Cities Win on Lead Pipe Replacement.**](#)

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

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

[Continue reading.](#)

National League of Cities

by Carolyn Berndt & Michael Gleeson

MARCH 28, 2024

[Unpacking the Muni Bond Rollercoaster: Lessons from 2023 and 2024](#)

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

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

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

[Continue reading.](#)

dividend.com

by Aaron Levitt

Mar 26, 2024

[Why Municipal Bond Investors Should Proceed With Caution.](#)

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

A recent [Morningstar report](#) showed that the only investment category to post positive fund inflows for 2023 was fixed income, which added \$395 billion to bond funds. More recently and specific to municipal bonds, the [Investment Company Institute reported](#) that \$8.35 billion flowed into municipal

bond mutual funds and ETFs during the first 10 weeks of this year. That was the largest 10-week cumulative flow into municipal bonds since January of 2022.

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

[Continue reading.](#)

Forbes

Chris Gunster, CFA - Contributor

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

Mar 27, 2024,

[February Corporate and Municipal CUSIP Request Volumes Rise Sharply.](#)

NORWALK, Conn., March 19, 2024 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for February 2024. The report, which tracks the issuance of new security identifiers as an early indicator of debt and capital markets activity over the next quarter, found a sharp monthly rise in request volume for new corporate and municipal identifiers.

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

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

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

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

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

Mega-Trends Impacting Municipal Market: ArentFox Schiff

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

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

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

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

[Continue reading.](#)

by DAVID L. DUBROW

MARCH 20, 2024

ARENTFOX SCHIFF

US Warns of Cyberattacks Against Water Systems Throughout Nation.

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

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

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

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

[Continue reading.](#)

Bloomberg Technology

By Ari Natter

March 19, 2024

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

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

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

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

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

[Continue reading.](#)

Route Fifty

By Chris Teale,
Staff Reporter, Route Fifty

MARCH 20, 2024

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

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

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

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

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

[Continue reading.](#)

Route Fifty

By Chris Teale,
Staff Reporter, Route Fifty

March 21, 2024

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

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

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

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

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

[Continue reading.](#)

Route Fifty

by Liz Farmer

MARCH 20, 2024

[Why Texas Is Banning Banks Over Their ESG Policies.](#)

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

1. What is ESG?

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

[Continue reading.](#)

Bloomberg Green

By Danielle Moran

March 20, 2024

[More Defaults for Senior Living Ahead as Debt Comes Due.](#)

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

Pandemic-induced obstacles are still squeezing senior living facilities and with a rash of debt coming due, investors are likely to feel continued pain in the sector over the next several years. About \$2.7 billion in senior living municipal debt comes due in the last nine months of this year, along with \$3.5 billion next year, according to Karen Altamirano of Bloomberg Intelligence.

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

[Continue reading.](#)

Bloomberg

By Lauren Coleman-Lochner

March 22, 2024

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

Key Takeaways

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

[Continue reading.](#)

21 Mar, 2024

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

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

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

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

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

[Continue reading.](#)

Route Fifty

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

MARCH 22, 2024

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

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

Understanding the Clean Ports Program

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

[Continue reading.](#)

NATIONAL LEAGUE OF CITIES

By Damion Deshield

MARCH 21, 2024

[An Insight Into Municipal Bonds.](#)

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

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

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

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

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

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

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

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

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

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

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

etfexpress.com

by Fiona Nicolson

March 22, 2024

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

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

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

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

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

[Continue reading.](#)

Route Fifty

By Chris Teale,
Staff Reporter, Route Fifty

MARCH 22, 2024

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

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

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

[Continue reading.](#)

National League of Cities

BY: Julia Bauer & Patrick Rochford

MARCH 15, 2024

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

Key Takeaways

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

[Continue reading.](#)

14 Mar, 2024

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

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

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

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

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

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

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

BGC Partners Advisory is the restructuring adviser to the island's financial oversight board, which is managing Puerto Rico's bankruptcy and the workouts of its governmental agencies. Prepa, as the

power authority is known, is seeking to slash its \$10 billion of debt and financial obligations by as much as 75%.

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

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

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

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

Bloomberg Markets

By Michelle Kaske

March 12, 2024

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

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

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

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

"Green, social and sustainability-linked bond issuance accounted for roughly \$1 trillion in bond issuance last year, as corporate and municipal issuers increasingly focus on this market segment," said Scott Preiss, Senior Vice President and Global Head, CUSIP Global Services. "By providing

green bond tags as part of our data feed and desktop products, we are making it possible for market participants to quickly and reliably identify securities that meet key sustainable finance criteria using Climate Bonds' proven evaluation standard."

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CUSIP Global Services

Tue, Mar 12, 2024

[Fitch: More U.S. Essential Housing Projects Likely Amid Affordability Crisis](#)

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

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

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

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

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

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

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Additional information is available on www.fitchratings.com

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

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

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

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

Asset Monetization in Transportation

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

[Continue reading.](#)

March.14.2024

[\\$3.3B in Federal Grants Announced for Communities Split Apart by Highways.](#)

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

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

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

[Continue reading.](#)

ROUTE FIFTY

by DANIEL C. VOCK

MARCH 13, 2024

[New Forever Chemical Rules Could Escalate Water Bills, US Cities Warn.](#)

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

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

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

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

[Continue reading.](#)

Bloomberg CityLab

By Linda Poon

March 13, 2024

[Look For Munis To Behave Like Bonds Again In 2024.](#)

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

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

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

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