

Why Municipal Bonds Are So Attractive Right Now.

Stephanie Larosiliere, Invesco's head of municipal business strategies, discusses what makes muni bonds an attractive investment right now with Romaine Bostick and Scarlet Fu on "Bloomberg Markets: The Close."

[Watch video.](#)

Muni Moment - Bloomberg Markets: The Close

December 6th, 2023

Retail Buyers Spur Muni Trading Record, Biggest Rally Since 1982.

- **Mom-and-pop investors piled into municipal bonds last month**
- **Record number of trades executed in November, MSRB data show**

Municipal-bond trading soared to an all-time high in November as mom-and-pop investors snapped up bonds, driving the market's best month of performance since the 1980s.

There were 1.5 million trades in November, which was a monthly record, according to the the Municipal Securities Rulemaking Board. The regulator said that demand from small-time investors was a major factor in the spike in trading.

In November alone, AAA benchmark yields dropped over 90 basis points depending on the maturity, according to Bloomberg BVAL. The surge in interest came amid a global bond rally on growing optimism the US central bank is nearly done hiking interest rates and will soon have to hit pause on its tightening regime.

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Bloomberg Markets

By Amanda Albright

December 4, 2023

Bloomberg: Muni Bond Funds Poised for 20% Gains Even After November's

[Surge](#)

- **Leveraged closed-end funds rallied with broader market**
- **Steep discount, Fed cuts, activism seen powering returns**

Municipal bond funds that use borrowing as a way to juice returns had a banner month in November, surging almost 12%. Some market watchers say that's only just the start.

Leveraged closed-end muni funds rallied along with the broader market as evidence of slowing job growth and cooling inflation convinced traders that the Federal Reserve's rate-rise cycle is over. Further gains may be in store should the central bank pivot to cutting rates next next year, as many now expect.

But there's more to the story. Despite last month's gains, leveraged closed-end muni funds are still trading at steep discounts to their net asset value. In the past, this has set them up for a market-beating performance. Taken together, these conditions — combined with the arrival of activist investors looking to push measures that would boost funds' share value — paint a bullish picture for the sector.

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Bloomberg Markets

By Martin Z Braun

December 6, 2023

[JPMorgan Chief Addresses the E.S.G. Backlash.](#)

Mr. Dimon has called the Texas laws bad for business, highlighting the work the bank does to fund schools, hospitals and other businesses.

Jamie Dimon, the chief executive of JPMorgan Chase, said on Wednesday that he would now "punch back" over Texas's 2021 efforts to restrict the state's business with financial firms that embrace environmental, social and governance policies.

Texas passed two laws in 2021 that limit the state's work with banks that regulators determine restrict their work in the energy and firearms industries. JPMorgan spent much of 2022 on the sidelines from underwriting municipal bonds in the state.

Mr. Dimon has called the Texas laws bad for business, highlighting the work the bank does to fund schools, hospitals and other businesses.

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The New York Times

By Lauren Hirsch

Nov. 29, 2023

[**\\$1.5 Billion Now Available In Federal Transportation Grants.**](#)

A variety of road, transit, rail and trail projects are eligible for funding under the Transportation Department's popular RAISE program.

State and local governments could get a slice of up to \$1.5 billion to complete critical freight and passenger transportation infrastructure projects, the Biden administration announced Thursday.

The U.S. Department of Transportation issued a notice of funding opportunity for the 2024 Rebuilding American Infrastructure with Sustainability and Equity, or RAISE, program. Earlier this year, it handed out \$2.2 billion under the program to 162 major projects across the country.

"Thanks to President Biden's leadership, we are delivering safer, cleaner infrastructure to communities of every size and in every part of the country, creating a new generation of jobs and helping families build generational wealth in the process," Transportation Secretary Pete Buttigieg said in a statement.

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Route Fifty

By Elizabeth Daigneau,
Executive Editor, Route Fifty

DECEMBER 1, 2023

[**S&P Sustainability Insights: North American Wildfire Risks Could Spark Rating Pressure For Governments And Power Utilities, Absent Planning And Preparation**](#)

Key Takeaways

- To maintain profitability in regions exposed to climate hazards, insurance companies manage losses by implementing various strategies, including discontinuing writing new business
- Collaboration between different levels of government, as well as an entity's planning and preparedness for emerging risks, could help offset exposure to wildfire risk
- Certain U.S. state regulatory frameworks can increase the credit risks from wildfires for public power and investor-owned utilities, potentially leading to litigation risks

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[Free registration required.]

29 Nov, 2023

US Lead Water Pipes to be Replaced in 10 Years Under Proposed EPA Rule.

The “vast majority” of lead drinking water pipes would need to be replaced within 10 years under proposed Lead and Copper Rule Improvements announced Thursday, a top EPA water official said.

The Environmental Protection Agency’s proposed rule calls for water systems to replace a minimum of 10% of their lead pipes annually with a goal of replacing 100% nationwide within 10 years—a dramatic update to a Trump-era rule that took effect in 2021. The EPA expects to finalize the new rule in 2024.

The Trump rule reduced the number of lead pipes that need to be replaced annually to 3%—down from 7% under the original 1991 lead and copper rule.

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Bloomberg Green

By Bobby Magill

November 30, 2023

Fitch: New Nuclear Projects Remain a Challenge for Public Power

Fitch Ratings-New York-29 November 2023: Absent broader joint action, improved cost competitiveness and/or greater certainty of cost and delivery, most U.S. public power systems are unlikely to pursue new nuclear construction over the next few years, and those that do face the risk of weakened credit quality, Fitch Ratings says.

The recent announcement by the Utah Associated Municipal Power Systems (UAMPS) and NuScale Power to terminate their Carbon Free Power Project (CFPP) illustrates the challenges facing public power systems as they consider new nuclear construction. The CFPP was created by UAMPS to develop the nation’s first-generation small modular reactor nuclear plant, to be located at the Idaho National Laboratory near Idaho Falls, Idaho. The project planned to deploy six, 77-megawatt nuclear power modules provided by NuScale Power. Energy from the project was slated to replace generation from coal plants to assist members in decarbonizing their energy portfolios.

The project was unable to attract interest from enough purchasers to continue development, despite the plant’s modular design, improved safety measures and the offer of low-cost government funding, likely due to schedule delays and cost concerns. Earlier this year, UAMPS raised the estimated cost of the project to \$9.3 billion from \$5.3 billion, and the cost of power to \$89/MWh from \$58/MWh, reflecting higher interest rates and inflationary pressures.

Nuclear energy is important to the public power sector, accounting for roughly 7% of the sector’s capacity and nearly 18% of generated energy. Publicly-owned utilities, together with the country’s electric cooperatives, own 19% of the nation’s nuclear generating capacity and have benefitted from the strong performance of the operating reactors, most of which were completed between 1970 and 1990. Since 2000, the nation’s nuclear units have recorded a capacity factor of 91%, helping systems achieve their objective of reliable and affordable power.

Interest in new nuclear generation should remain piqued as a result of proposed Environmental

Protection Agency (EPA) rules to limit carbon-dioxide emissions from power plants, as well as widening concerns about the effects of climate change and more aggressive carbon-free energy standards. However, until the cost of new construction can be assured through insurance or guarantees provided by the U.S. government or highly creditworthy entities, widespread ownership agreements can broadly distribute and limit project exposure, and new design construction is proven to be both feasible and replicable, these risks will remain formidable barriers to participation.

Nuclear projects are large, costly and complex, and developers have a historically poor record of completing new projects on time and within budget. New projects launched at the Summer and Vogtle nuclear stations in 2013 were plagued by scheduling delays, fabrication challenges, labor shortages and significant cost overruns almost from the beginning of construction. While the first of the new Vogtle units entered commercial operation earlier this year, and the second unit is expected to come online in 2024, the project is seven years late and \$16 billion over budget. These challenges contributed to rating downgrades of co-owners MEAG Power and Oglethorpe Power Corporation between 2017 and 2021. Construction of the new Summer units was ultimately halted in 2017, similarly contributing to downgrades of the South Carolina Public Service Authority (Santee Cooper).

The Tennessee Valley Authority completed its Watts Bar Unit 2 in 2016 after work was suspended in 1985 and resumed in 2007. However, the final cost was roughly \$2 billion higher than initially planned. The operational breadth and financial strength of TVA allowed the utility to absorb the costs and maintain its then current ratings.

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[Unveiling the Crucial Role of Financial Forecasting in Shaping Annual Rates for U.S. Public Utilities.](#)

U.S. public utilities, like water, wastewater and solid waste, are generally operated by government entities or local municipalities. These governing entities establish dedicated departments within their overall operations to oversee the planning, construction, operations and maintenance of the aforementioned public utilities for their citizens. Depending on the size and complexity of overall operations, we may see public utilities structured in the following models: Municipal Utilities Department (MUD), Utility

Authorities/Districts, Public-Private Partnerships and Cooperative Utilities.

Regardless of the model, the primary goal is to ensure the reliable and efficient delivery of essential services to the public while adhering to regulatory standards and maintaining growth and strong fiscal health. Typically, the utility operations are largely funded through the utility rates that citizens pay for these services. Hence, the need to review and adjust the utility rates is the single critical piece to ensure the longevity and growth of any utility operation are adequately funded to meet future demands.

In this article, we will take a closer look at the process of utility rate setting and the dire need to incorporate comprehensive financial forecasting in the entire process.

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dividend.com

by Jayden Sangha

Nov 28, 2023

JPMorgan Sees Sky-High Rates Reviving Short-Term Muni Deals.

- **Public finance bankers have more talks on short-term products**
- **Fixed-rate debt was all the rage during low interest rate era**

Decades-high interest rates are poised to revive interest in a little-used corner of the municipal-bond market: variable rate deals.

That's according to the public finance leaders at JPMorgan Chase & Co., the third-biggest underwriter in the \$4 trillion market who say talks with US state and local government clients about short-term securities, typically tied to variable interest rates, are picking up.

The Federal Reserve's tightening regime continues to ripple through the muni bond world with the talks signaling a shift away from years of bond sales being structured with fixed-interest rates as municipalities tried to lock in ultra-low borrowing costs.

Such discussions with issuers haven't taken place in a long time, according to Jamison Feheley, head of public finance investment banking at the bank.

"It was really hard to argue against — why would you do anything but long, fixed-rate debt when 30-year paper was in the 2% range?" Feheley said in a Zoom interview on Nov. 29. "Why wouldn't you lock that in?"

Now, he said issuers are thinking strategically about whether to incorporate short-term debt products into their portfolios. He said they may be reluctant to "lock in" their debt with longer, fixed-rate bonds while rates remain elevated.

Floating-rate notes, for example, can be tied to the yield on the Sifma Index which is currently 3.3%. Yields on the gauge of short-term municipal borrowing costs that resets weekly have been below fixed-rate 30-year AAA benchmark debt, which currently sits at 3.7%, since September.

For debt issuers, offering the securities represents a bet that short-term interest rates won't go higher.

JPMorgan's public finances team expects a stronger year for muni sales next year. Issuance this year is essentially flat, or down 2%. This month, the team's muni strategists led by Peter DeGroot forecast an 8% bump in muni issuance in 2024.

A revival of deals by hospitals and healthcare entities may prove to be a bright spot next year as the sector recovers from Covid-related pressures and pursues tie ups. Healthcare is "is really poised for a significant uptick in 2024," Feheley said. That will be driven by hospitals' capital needs as well as activity from mergers and acquisitions in the space, Feheley said.

Charles Giffin, head of public finance at the bank, sees 2024 kicking off on a high note as issuers benefit from the current bond rally which has pushed yields down. November was the best month for state and local debt since the 1980s, with the securities notching a 6.4% gain.

"January's going to be a great time to issue debt," he said.

Bloomberg Markets

By Amanda Albright

December 1, 2023

[Bloomberg Muni Market 2024 Look Ahead](#)

Joe Mysak, editor of the Bloomberg Brief: Municipal Markets, joins to discuss the muni bond market. Hosted by Paul Sweeney and Molly Smith.

[Listen to audio.](#)

Bloomberg Markets

Dec 01, 2023

[US Is Going Through 'Muni Renaissance': Vanguard's Will](#)

Nathan Will, Vanguard's head of municipal credit research, says municipal bond yields are "tremendously attractive" on "Bloomberg Markets: The Close."

[Watch video.](#)

November 29th, 2023

[Munis Haven't Rallied So Much in a Month Since Paul Volcker Ran the Fed.](#)

- **Bloomberg index heads for its best monthly gain since 1986**
- **Falling Treasury yields and lower muni bonds sales fuel rally**

The last time the municipal bond market rallied so much, it was Paul Volcker — and not Jerome Powell — who was winning a war on inflation.

Fueled by growing speculation that the Federal Reserve has tamed inflation enough to start cutting interest rates next year, everything from Bitcoin to tech stocks to Treasuries have rallied sharply this month. For state and local government debt, it has been a particularly heady run: They've delivered a return of more than 5% in November, the best month since January 1986.

The swift, surprising surge has been enough to lift returns and erase losses. The Bloomberg muni index is now up nearly 3% for the year, a rebound from a loss of 2.2% at the end of October. Benchmark yields for muni bonds due in 10 years reached below 2.74% Wednesday, the lowest since mid August.

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh

November 29, 2023

[Investors are Using Bond Insurance More than Before the Pandemic: Build America CEO](#)

Sean McCarthy, CEO at Build America Mutual, joins Bloomberg Radio to discuss his business, launching BAM, credit outlook for municipal borrowers, and demand in the muni bond markets.

[Watch video.](#)

Bloomberg Markets

November 29th, 2023

[Closed-End Muni Funds Now Trade at Biggest Discount in 18 Years.](#)

Closed-end municipal bond funds have been hammered during the recent selloff in fixed-income markets and now trade at the widest discounts to their asset value in the past 18 years.

Big funds—such as the \$2.8 billion Nuveen AMT-Free Quality Municipal Income Fund (ticker: NEA), at around \$9.66, and Nuveen AMT-Free Municipal Credit Income Fund (NVG), at about \$10.35—are trading at 16% to 17% discounts to net asset value.

Over the past year, the average muni closed-end fund discount has been closer to 10% and the long-term average is around 5%.

The Nuveen AMT-Free Quality Municipal Income Fund yields 4.3% while the Nuveen AMT-Free Municipal Credit Income Fund, which has a sizable chunk of its assets in bonds with lower credit ratings or none at all, yields 5%. The average muni closed-end fund yields almost 5%.

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Barron's

By Andrew Bary

Sept 30, 2023

[AllianceBernstein: Municipal Impact Investing: The First Step Is Identifying the Need](#)

NORTHAMPTON, MA / ACCESSWIRE / November 28, 2023 / Municipal bonds issued by school districts can have a direct impact on helping kids stay in school, especially in communities where they're most likely to drop out. But the need isn't always easy to spot. This makes it challenging to know if a bond will effectively target the problem. So, how can muni investors know where or whether their bond will make an impact? Here's how we figure that out early on, and it starts with data. For example, school districts generally offer free or discounted meals to students who qualify. Understandably, schools within underserved communities experience higher participation in such programs.

But if we overlay meal program participation rates with enrollment trends from 2017 to 2021, another troubling pattern emerges: the same communities that heavily rely on subsidized school lunches - 60% and up - also struggle the most to keep their students in classrooms. Enrollment declines in these districts were almost five times greater than those with the lowest lunch program participation.

Declining enrollment can have concerning developmental consequences for students and financial consequences for schools, which rely on enrollment-based state and federal support. The reasons behind enrollment losses can vary, from outward migration to the rise in homeschooling. But disturbingly, over one-third of enrollment declines in recent years can't be accounted for by increases in private or home schooling or by changes in demographics. These students have simply gone missing from the system.

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AllianceBernstein

Tue, November 28, 2023

[Why Invest In Taxable Municipal Securities?](#)

A taxable municipal bond is a non-tax-exempt fixed-income security issued by a local government to finance projects that the federal government will not subsidize. In this article we explain what

taxable municipal securities are, why you should invest in them and how they fit into your portfolio.

What are taxable municipal securities?

Taxable municipal bonds are debt securities issued by states, cities, counties, and other governmental entities, often to finance a project or activity that may directly or indirectly benefit private industry. They differ from tax-exempt municipal bonds in that they are subject to federal tax; Internal Revenue Service rules disqualify municipal bonds from eligibility for federal tax exemption if there is a substantial private use or benefit associated with the bond issue. However, taxable municipal bond issues are often exempt from state and local taxes, meaning that investors who purchase bonds issued within their home state will receive interest income that is only taxable at the federal level. Compared to US Treasuries or tax-exempt municipal securities, these generally offer a higher yield. Bond proceeds are often used to finance industrial development or to improve public pension funding levels. Bear in mind that the Tax Cuts and Jobs Act (TCJA) of 2017 eliminated advance refunding of municipal bond issues on a tax-exempt basis. ¹

Taxable municipal bonds are popular among investors who cannot take advantage of federal tax exemption. These investors include pension funds and foreign investors.

Why invest in taxable municipal securities?

Taxable munis appeal to fixed income investors for a variety of reasons. First, they are perceived to be safer than other taxable alternatives. When one considers the 10- year cumulative default rate of investment grade municipal securities (0.09%) against global corporate bonds (2.23%) with comparable credit ratings, municipal bonds are a safer asset class when protecting against issuer default, according to Moody's.

Second, taxable municipal securities often provide more attractive yields than many global bonds and other corporate debt. For example, the average yield on the 10- year AAA rated taxable muni was 2.9% over the past several years. By comparison, yields on many sovereign bonds with comparable maturity remained at much lower levels over the same time frame. On average, Japanese and German 10-year government debt yields were 0.09% and 0.43%, respectively.

At the same time, AA taxable munis often provide incremental yield pickup vis-à-vis investment grade corporate debt with comparable credit ratings.

Third, for US investors, some taxable municipal issues are exempt from state and local taxes within the state of issuance. For investors who reside in states that impose a high personal income tax rate such as California, New York, and New Jersey, the state and local tax advantage associated with taxable munis can be noteworthy.

How do taxable municipal securities fit into your portfolio?

Taxable municipal bonds are appealing to investors seeking an incremental yield opportunity while maintaining a strong credit rating. They are also attractive for tax-deferred investment accounts such as IRAs, 401(k)s, and pension funds, where tax-exempt municipal bonds are less appropriate. Additionally, these bonds have attracted demand from foreign investors who traditionally did not invest in municipal securities because they could not reap the tax benefits. Based on the Federal Reserve Flow of Funds data, foreign buyers increased municipal holdings from the end of 2013 (USD 73.8bn) through 2021 (USD 118.7bn), before falling back a bit to USD 108.4bn by 2Q23, reflecting a volatile rate environment.

The taxable municipal market comprises bonds with longer duration when compared to corporate

bonds. Examining the maturity distribution of a basket of taxable munis shows that almost 50% come due at the 15-year maturity and beyond. By comparison, only about 25% of an investment grade corporate index includes longer-dated bonds. As a consequence, the taxable muni sector can provide opportunities to add duration or match long-dated liabilities within an overall wealth management strategy.

What are some of the key risks?

The taxable muni market is less liquid than either the corporate bond market or the market for sovereign securities. Also, when purchasing taxable munis as with other fixed income investments, a thorough understanding of early call risk is necessary. Make sure to read the full report for further information on risks.

For ongoing developments in the taxable municipal bond market, please see our monthly report, *Fixed Income Strategist*.

by UBS Editorial Team

Main contributor: Kathleen McNamara, CFA, CFP, Municipal Strategist, CIO Americas

28 Nov 2023

[Munis in Good Shape to Face a Recession: Fitch's Bohner](#)

Arlene Bohner, Fitch Ratings head of US public finance, says most US public finance entities are in good shape to weather a recession on “Bloomberg Markets: The Close.”

[Watch video.](#)

November 22nd, 2023

[S&P: US Voters Approve Over \\$44B in New Local Government Bonds](#)

US voters signaled a decided willingness to fund new local infrastructure and other projects during the Nov. 7 elections.

Relatively high interest rates failed to curb taxpayers’ spending appetite, as voters approved more than \$44 billion in municipal bonds designated for schools, roads and other public infrastructure uses. A further \$29.78 billion is still pending as of Nov. 14, according to data compiled by S&P Global Market Intelligence.

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by Ingrid Lexova

20 Nov, 2023

[**Hospitals' Appetite for Borrowing Returns After Pandemic Years.**](#)

- **Four hospitals plan to tap the market for bond sales**
- **Wage and staffing expenses ease as profit margins rebound**

Hospitals are returning to the municipal-bond market after shying away since the pandemic.

The sector is now “through the trough” financially, said Matt Cahill, an analyst at Moody’s Investors Service, which upgraded its outlook for not-for-profit hospitals to stable earlier this month, citing moderating expenses and increasing revenues as patients return for treatment.

“There are health systems from different parts of the country working on deals,” said Daniel Steingart, a vice president at Moody’s, adding that he’s seeing appetite for borrowing return

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Bloomberg Markets

By Lauren Coleman-Lochner

November 22, 2023

[**Public Debt Crisis is Here: Mark Zandi**](#)

Wall Street has been on guard about rumblings in the US financial system. Moody’s Analytics Chief Economist Mark Zandi joins Yahoo Finance Live to weigh in on the state of the financial sectors and areas for concern following regional bank failures in early 2023.

Zandi states the system is “this engine that’s shaking under stress” of higher interest rates and does not predict stabilization until the yield curve evens out. Furthermore, Zandi expresses concern about liquidity risks in the US Treasury market, from ballooning debt and warnings of a potential “freezing up” on bonds. When asked about the reality of the public debt crisis, Zandi plainly states: “We’re here.”

For more expert insight and the latest market action, [click here](#) to watch this full episode of Yahoo Finance Live.

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Yahoo Finance Live

by Eyek Ntekim and Jared Blikre

Wed, Nov 22, 2023

[**Navigating Public-Private Partnerships To Drive Value In Collaboration.**](#)

Critical infrastructure projects—whether a desalination plant or a suspension bridge—help support economic activity and catalyze growth and development. Yet, roadblocks like a lack of talent or raw materials can deter progress.

To overcome these challenges and see projects through effectively, I think it's important to recognize ways that government agencies and the private sector can team up. As we enter 2024, I believe it is time to embrace public-private partnerships as a true form of collaboration.

How Do Public-Private Partnerships Work?

Working together, private companies and government entities can combine their strengths to develop, design, finance and operate large-scale infrastructure projects soundly.

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Forbes Business Council

by Lihy Teuerstein

Nov 20, 2023

Lihy Teuerstein, CEO of IDE Water Assets, an expert on large-scale water infrastructure projects and alternative procurement.

[S&P: U.S. Privatized Student Housing Stabilizes As Recovery Continues And University Financial Support Dwindles](#)

Key Takeaways

- S&P Global Ratings raised two ratings and revised five outlooks to positive on U.S. privatized student housing issuers in the past year, as many projects' operations rebounded to pre-pandemic levels.
- Occupancy continues to increase slowly as more projects near full capacity.
- Financial operations have stabilized, given increases in rental revenue and occupancy since the onset of the pandemic in early 2020.
- As of fiscal year-end 2022, two projects have underfunded debt service reserve funds, but most have increased their reserves.

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20 Nov, 2023

[As Groundwater Dwindles, Powerful Players Block Change.](#)

Here are some of the people fighting efforts to conserve a vital resource that's disappearing across the United States.

From a small brick building in Garden City, Kan., 13 men manage the use of groundwater across five

million acres in the southwest corner of the state, some of the most productive farmland in America for corn, wheat and sorghum.

They serve on the board of Groundwater Management District 3, which since 1996 has overseen the pumping of 16.2 trillion gallons of groundwater — enough to fill Lake Mead, the country's largest reservoir, twice over.

The board is elected, but not by everyone: The only people eligible to vote are large landowners, a group of less than 12,000 people in an area of roughly 130,000. And in some years, fewer than 100 people actually vote. Others — cashiers at Walmart, teachers at the community college, workers at the local St. Catherine Hospital — have no say in the management of the aquifer on which they, too, rely.

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The New York Times

Nov. 24, 2023

[Want to Understand Your Neighbors? Go to a Municipal Meeting.](#)

Part theater, part dirge, occasionally part circus, the meetings on any given night fill with people united by a common cause.

Last winter, spurred by discontent, I made my way to the town hall. I didn't know where to stand, where I would find the sign-up sheet or quite where to look when I spoke into the small microphone. But it doesn't take long to fall in line with the rhythms of a municipal meeting. It's a scene as fascinating as it is frustrating, as enlightening as it is disappointing, a startling mix of civic failure and success — often in a single night — and I have continued to enter the meeting chambers with regularity ever since.

What first took me here was a collective effort to convince the Town Council to prohibit the use of gas-powered leaf blowers. (It was quite a ride, but last summer we succeeded.) What I experienced over many months compelled me to continue attending the Town Council meetings and to add others — the Planning Board, the Historic Preservation Commission, the Board of Education — all part of the connective tissue of our town's six square miles and two ZIP codes. And it turns out, I can stream all of them from home, most on the town's YouTube channel, which means on certain nights these meetings play out in my family's kitchen.

Part theater, part dirge, occasionally part circus, the meetings on any given night fill with people arriving on their own or as part of small groups, united by a common cause. In time, themes appear: the Fire Department's budget, a controversial development project, pedestrian safety, a dearth of senior services, cannabis licenses. Attend enough, and you come to recognize fellow regulars, exchange nods, smiles and eye rolls while you sit alongside one another, wait in a snaking public comment line or whisper in the hallway. Once, when a contentious meeting went late, someone, perhaps anticipating the rancor, passed out homemade cookies.

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The New York Times

By Jessica Stolzberg

Nov. 22, 2023

[California's Resilience: A Closer Look At Municipal Bonds in the Golden State](#)

As one of the largest states in economic prowess and population, it stands to reason that California is one of the largest issuers of municipal debt. As such, it features prominently in many national municipal bond funds. At the same, as a high tax state, California munis are a top draw for investors living within the Golden State's borders. So, when concerns about California's finances creep into the news, it makes sense that investors get nervous.

But they may not have anything to worry about.

California is on some of the surest footing in decades. A hefty rainy day fund, high tax receipts and other factors make it an ideal destination for muni investors. Whether that be those who reside in-state or out of state.

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dividend.com

by Aaron Levitt

Nov 21, 2023

[Bloomberg Muni Market Outlook.](#)

Joe Mysak, Editor of the Bloomberg Brief: Municipal Markets, joins to discuss the muni bond market. Hosted by Paul Sweeney and Carol Massar.

[Listen to audio.](#)

Bloomberg Markets: The Tape

Nov 24, 2023

['Weird' Muni Bond for Virginia Tire Recycler Offers Juicy Yield, No Risk.](#)

- **Escrow bonds with mandatory put preserve tax-exempt allocation**
- **Structure delivers 'free lunch, dinner and dessert' for buyer**

Municipal bonds can often seem like the quirky cousins within the \$53 trillion US fixed-income market. But sometimes being a little weird pays.

Consider the \$65 million in environmental improvement revenue bonds sold last week by the

Southampton County, Virginia, Industrial Development Authority for a new tire-recycling project. The facility, to be located at a logistics center in the southeastern portion of the state on the border with North Carolina, will “demanufacture” car and light truck tires into scrap steel, solid fuel, liquid fuel and syngas, according to the preliminary official statement to the bonds. A private company, PRTI, is running the project and will be the ultimate borrower.

Resource recovery has a spotty record in the municipal bond market. Of the \$57 billion in municipals in distress or default, \$1.86 billion was used to finance resource recovery, according to data compiled by Bloomberg. But investors in the bonds sold last week don’t need to worry about that risk because recycling isn’t repaying the bonds.

And that’s where the quirkiness comes in.

The debt was sold only to preserve the private-activity bond allocation made by the commonwealth of Virginia that will allow PRTI to use relatively low-cost tax-exempt financing to build the facility. The use of tax-exempt financing to benefit private companies – offered by municipalities to boost local economies — is capped by the federal government and expires if it’s unused in a given year.

So the new bonds are a sort of placeholder. The money raised in the debt offering will be invested in US Treasury securities and put into an escrow account, and the bonds are subject to a mandatory tender next June. At that point PRTI will come to market with new bonds and use the proceeds of that issue to build the new facility in Virginia.

The bonds, rated Aaa by Moody’s Investors Service, were priced at par — or 100 cents on the dollar — with a 4.88% coupon on Nov. 6. At the time, top-rated municipal bonds maturing in a year were yielding 3.54%, according to the Bloomberg BVAL yield curve. So investors picked up more than 1.25 percentage point in extra yield, basically just because of the eccentricities of the municipal market.

And as it says right on the cover of the bond offering documents, “The Bonds are being offered only to investors who, in making their investment decision, rely solely on the Government Obligations and any cash on deposit in the Mandatory Tender Account, and not on the credit of the company or the feasibility of the Project.” So virtually no credit risk, though the bonds are subject to the alternative minimum tax.

‘Wabi-Sabi’

These kinds of deals, used by borrowers looking to preserve their private-activity bond allocations in advance of remarketing to final investors, are relatively unusual. Bloomberg doesn’t track annual sales of such deals on a separate basis, but anecdotal evidence suggests they come up a few times a month.

For investors, “bonds with this type of structure are the muni equivalent of wabi-sabi,” Nicholas Venditti, senior portfolio manager at Allspring Global Investments, LLC, in an email, referring to the Japanese art of finding beauty in imperfection. He continued, “Any time investors can find beauty in the weird, or in this case, excess return in the weird they should jump at those opportunities. All it takes is some extra work and a slightly different perspective.”

Eric Kazatsky of Bloomberg Intelligence concurred, saying that private activity bonds subject to the alternative minimum tax like these already offer a yield premium that’s like “the proverbial free lunch,” because so few investors have to pay the AMT. Add to that the escrow and put structure embedded in the Virginia debt issue, and it’s like “free lunch, dinner and dessert,” he said.

Chris Hare, chief executive officer of PRTI, said in a telephone interview that the company already has a facility operating in Franklinton, North Carolina, and is working to make sure its process is “industrially scaled.” He can save the assurances for the next set of investors.

Bloomberg Markets

By Joseph Mysak Jr

November 15, 2023

— *With assistance from Trevor Rowe and Shelby Knowles Nikolaidis*

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

NORWALK, Conn., Nov. 13, 2023 (GLOBE NEWSWIRE) — CUSIP Global Services (CGS) today announced the release of its CUSIP Issuance Trends Report for October 2023. 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 decline in request volume for new corporate identifiers, while municipal volumes grew on a monthly basis.

North American corporate requests totaled 5,664 in October, which is down 17.0% on a monthly basis. On a year-over-year basis, North American corporate requests closed the month up 17.0% over year ago totals. The monthly volume decrease was driven by a 26.2% decrease in request volume for corporate debt and a 15.9% decrease in requests for U.S. corporate equity identifiers. October also saw a 15.2% decrease in request volume for short-term certificates of deposit (CDs) with maturities of less than one year, and a 5.9% decrease in request volumes for long-term CDs (maturities greater than one year).

Municipal request volume rose this month after declining in September. The aggregate total of identifier requests for new municipal securities – including municipal bonds, long-term and short-term notes, and commercial paper – climbed 7.4% versus September totals. On a year-over-year basis, overall municipal volumes are down 7.2%. Texas led state-level municipal request volume with a total of 163 new CUSIP requests in October, followed by New York (93) and New Jersey (60).

[Continue reading.](#)

CUSIP Global Services

Mon, Nov 13, 2023

[Tools for Sustainable State Budgeting.](#)

Long-term budget assessments and stress tests promote fiscal resilience

Overview

Responsible state fiscal policy requires more than just balancing the current year’s budget. It must also include ensuring that the budget is on a sustainable path. Otherwise, policymakers cannot have

the lasting impact they hope for: They may act to improve state services or cut taxes only to have to scale those efforts back later. This risk is especially high in the aftermath of the COVID-19 pandemic. Record budget surpluses, driven largely by federal pandemic aid, empowered states to adopt historically large tax cuts and spending increases from 2021 to 2023, investments that many state leaders hope to build on in coming years.¹

Going forward, state leaders must be able to assess whether their decisions will be affordable over the long term or will jeopardize their ability to solve state problems or even sustain programs and services in the future. Unfortunately, the nature of state budget processes discourages such long-term thinking. State policymakers devote much of their time to developing, enacting, and implementing annual or biennial budgets, a core government function and a prime opportunity for lawmakers to achieve immediate policy goals.

One key strategy for changing this short-term focus is for states to use two analytical tools—long-term budget assessments and budget stress tests—to regularly measure risks, anticipate potential shortfalls, and identify ways to address impending challenges. Long-term budget assessments project revenue and spending several years into the future to show whether and why states may face chronic budget deficits. Stress tests estimate the size of temporary budget shortfalls that would result from recessions or other economic events and gauge whether states are prepared for these events.

[Continue reading.](#)

The Pew Charitable Trusts

November 15, 2023

[Muni Bond Blowup Exposes Flaws in \\$600 Billion Corner of Market.](#)

- **Sports complex went bust less than three years after debt sale**
- **Little vetting by agency with history of rubber-stamping deals**

The red flags were flying all around Randy Miller. He'd already had bouts with bankruptcy. He'd been accused — not once, but three times — of defrauding business associates. He pointed to a partnership with international soccer powerhouse Manchester United, even though the other ties to professional teams he cited were over three decades old.

But when the 68-year-old businessman and his son turned to Wall Street in 2020 and 2021 for money to build a sprawling youth-sports complex in the Sonoran Desert outside of Phoenix — after repeatedly failing to drum up enough financing on his own — it not only obliged, but lent him \$280 million to do so.

All it took was an eight-page application to the Arizona Industrial Development Authority, which had never turned down any of the scores of borrowers that sought the state's imprimatur on their bond sales, an audit late last year showed. Dangling yields near 8% back when the Federal Reserve was pinning rates near zero, the debt was snapped up by big institutional money managers like the Vanguard Group Inc. and AllianceBernstein Holding LP.

[Continue reading.](#)

Bloomberg Markets

By Martin Z Braun

November 17, 2023

[Fitch: U.S. State Liabilities Drop Temporarily in Pandemic Aftermath](#)

Fitch Ratings-New York-15 November 2023: U.S. states experienced a steep decline in long-term liability burdens in fiscal 2022, but the decline is only temporary, according to Fitch Ratings in its latest annual update report.

The median ratio of state direct debt plus net pension liabilities dipped to 4% of personal income in fiscal 2022 from 4.5% in fiscal 2021, the sharpest drop in the seven years since all states started reporting pension data under current accounting rules. The median ratio of Fitch-adjusted net pension liabilities plunged to 1.7% of personal income in fiscal 2022 from 2.9% in fiscal 2021.

However, the decline in liability burdens appears to be short-lived reflecting market exuberance during the pandemic recovery, which propelled a 24% rise in state pension asset portfolios. Market volatility since then has already erased a part of the fiscal 2022 gains. Available data from pension plans indicate assets falling an average of 5.2%, with states' fiscal 2023 audits likely to show comparable declines. "Since the pandemic began, state liability metrics have been very volatile and we expect volatility to continue at least through next year if U.S. economic conditions weaken," said Senior Director Doug Offerman.

The ranking of states' carrying cost burdens also remained largely unchanged in fiscal 2022, with Illinois having the highest carrying cost (20.3% of governmental expenditures) and Nebraska on the opposite end of the spectrum (0.8% of governmental expenditures).

"Flush with resources in the aftermath of the pandemic, many states are opting to supplement their routine contributions to pensions to accelerate funding progress," said Offerman. Fiscal 2022 supplemental deposits totalled almost \$9 billion, with California and Connecticut contributing an extra \$2.3 billion and \$4.1 billion, respectively, under budgetary mechanisms predating the pandemic. Additional excess deposits were made by Washington, Indiana, Kentucky, and New Jersey.

Fitch's "2023 State Liability Report" is available at www.fitchratings.com.

[Fitch 2023 State Liability Report \(Post-Pandemic Asset Surge Lowers Pension Burdens\)](#)

State long-term liability burdens fell sharply in fiscal 2022 state audits, as a surge in the market value of pension assets lowered net pension liabilities (NPLs) reported by states. However, the resulting decline in state liability burdens reflected market exuberance in the pandemic recovery, and will partly reverse in fiscal 2023.

[ACCESS REPORT](#)

[Fitch: Lower Tuition Growth Prospects Will Constrain Some US Higher Ed Margins](#)

Fitch Ratings-Chicago/New York-16 November 2023: Muted U.S. college and university net tuition growth amid a challenging inflation environment will constrain operating margins this academic year, Fitch Ratings says. Tuition-dependent private colleges with little competitive demand strength are most at risk of contraction in net tuition and margins, as these schools bear the brunt of enrollment and pricing pressures.

Revenue growth rates from net tuition, which adjusts for institutionally-funded financial aid and scholarships provided to students (or 'discount'), varied widely from FY21 to FY22 among the Fitch-rated portfolio. For the 2023-2024 academic year, Fitch is expecting a decline in net tuition growth to 2%-4% for most institutions. Rising discount rates, which are now over 56% for first-time undergraduate students per the most recent NACUBO study, will limit growth.

[Continue reading.](#)

[Municipal Water Projects Advance with State Revolving Fund Financing and Funding.](#)

The Bipartisan Infrastructure Law (BIL), officially known as the Infrastructure Investment and Jobs Act, provides significant funding for improving the nation's drinking water, wastewater and stormwater infrastructure. The law delivers \$50 billion to the U.S. Environmental Protection Agency (EPA), mostly to the State Revolving Fund (SRF) programs, which goes out to communities from state agencies as a mix of loans and grants or principal forgiveness.

While this is the single largest investment in water that the federal government has ever made, it is not enough to close the water infrastructure investment needs gap. EPA estimates the nation's water infrastructure capital needs over the next 20 years to be approximately \$896 billion in total.¹ Moreover, local governments are responsible for 98 percent of all water infrastructure capital, operations and maintenance investments, including investing over \$148 billion in 2021 alone, according the U.S. Census Bureau.

While the [NLC Rebuilding America dashboard](#) showcases the cities, towns and villages that have successfully received direct federal grants from BIL, local government State Revolving Fund recipients are not included because those applications run through the state. Each state has its own timeline, processes and affordability criteria for project selection and providing financing or funding to local governments.

[Continue reading.](#)

National League of Cities

by Carolyn Berndt & Peyton Siler Jones

NOVEMBER 14, 2023

[Funding for Broadband Infrastructure Projects: What's Next \(Part III\) - Squire Patton Boggs](#)

In our [last post](#), we previewed that states would be spending the months leading to December 2023 preparing “Initial Proposals” to award the funds that the National Telecommunications and Information Administration (NTIA) allocated to them under the Broadband Equity, Access, and Deployment program (the “BEAD program”). The Initial Proposals are the documents that must (1) identify the specific locations in the state that qualify for funding as unserved, underserved, or community anchor institutions and (2) outline the competitive bidding process each state proposes to employ to select projects and award funds. Much has happened since.

Submission of BEAD Initial Plans

Most states have chosen to split their Initial Plans (as allowed by NTIA rules) into a first part identifying qualifying locations proposing a process to challenge whether specific locations qualify for funding (Volume I) and a second part addressing the state’s proposed procurement process, including participation requirements and evaluation criteria (Volume II). NTIA must approve a state’s Initial Plan before the state can move forward with implementation. That means no state can initiate its challenge process until NTIA has approved its Volume I Initial Proposal, and no state can initiate its BEAD procurement process until NTIA has approved the Volume II Initial Proposal and the challenge process has concluded.

Although most states have released their Volume I Initial Proposals, so far, only 12 states have submitted their Volume I Initial Proposals to NTIA for approval. NTIA has only approved those of Virginia and Louisiana. Virginia, Louisiana, and Nevada are the only states that have submitted their Volume II Initial Proposals to NTIA for approval. NTIA has created a [dashboard](#) tracking each state’s process with the submission and approval of Initial Proposals.

[Continue reading.](#)

Squire Patton Boggs - Eduardo R. Guzmán

November 16 2023

[Treasury Releases Updated SLFRF Reporting Data Through June 30, 2023.](#)

In a [blog](#) last month, NASBO analyzed data published by Treasury based on quarterly project and expenditure (P&E) reports submitted by Coronavirus State and Local Fiscal Recovery Fund (SLFRF) recipients. At that time, data were available through the period ending March 31, 2023. This week, Treasury released an updated reporting [dashboard](#) and [dataset](#) through June 30, 2023. The following analysis is based on this latest data, with a focus on project plans and expenditures by Treasury category, as well as estimated revenue loss, reported by states, territories, and the District of Columbia (DC) (hereafter referred to collectively as “states”).

[Continue reading.](#)

NASBO Budget Blog

By Kathryn White posted 10-19-2023

[Investors Dive Into \\$4 Trillion Muni Bond Market, Boosting Trading Volume.](#)

- **Volume hit about 87,400 on Nov. 1, surpassing last year's high**
- **Yields and lack of supply have been boosting activity**

Investors are rushing into the \$4 trillion municipal bond market to take advantage of bargain prices. "Trade volumes are up so much because munis is the cheapest it's been in about a decade," Simone Santiago, a managing director at Morgan Stanley Investment Management, said. "There is this fear that if I don't get involved at this moment, I will miss my opportunity to buy munis at such attractive levels."

On Nov. 1, trading volume was about 87,400, surpassing the high of approximately 84,000 reached a year ago, according to Municipal Securities Rulemaking Board data. Since the top of the month, volumes have been hovering between 70,000 to 80,000.

[Continue reading.](#)

Bloomberg Markets

By Skylar Woodhouse

November 16, 2023

[It's an Ideal Time for Muni Bond Exposure With These ETFs.](#)

History tends to repeat itself and if that's the case in the current economic environment, then investors may want to side with muni bonds. American Century offers a pair of attractive, low-cost exchange traded fund options that allow for this exposure.

With high interest rates hampering the prospects of global economic growth, investors are pumping the brakes on riskier assets.

"We are in a low growth environment in the US. In Europe we are probably already in recession. We are in an environment where investors will demand more risk premium to own credit," said Karim Chedid, head of investment strategy for BlackRock's iShares arm in the EMEA region, per a Financial Times report. "Valuations are not cheap and that is driving some of the de-risking."

[Continue reading.](#)

ETF TRENDS

by BEN HERNANDEZ

NOVEMBER 16, 2023

[New York Life's Guidelines: Navigating the Allocation of Municipal Bonds](#)

Arguably, one of the most important pieces of investing is allocation. Getting the right assets classes in the right amounts is a major part of reducing risk and getting the returns you need. For high-net-worth investors and those looking for tax-free income, an allocation to municipal bonds is a must-have.

But how much in muni bonds should an investor really hold? And what kind of munis?

The answer may not be so simple. However, insurance giant and asset manager New York Life may have some answers depending on what investors want out of their municipal bond portfolio. Their guidelines could serve as a base for advisors and individuals looking toward muni bonds.

[Continue reading.](#)

dividend.com

by Aaron Levitt

Nov 14, 2023

[The Tape: Bloomberg Muni Market Update](#)

Joe Mysak, Editor of the Bloomberg Brief: Municipal Markets, joins to discuss the muni bond market. Hosted by Paul Sweeney and Matt Miller.

[Listen to audio.](#)

Nov 17, 2023

[Expect Munis to Perform Well in 2024: Abrdn's Mondillo](#)

Jonathan Mondillo, Abrdn's head of North American fixed income, discusses the outlook for the municipal bond market on "Bloomberg Markets: The Close."

[Watch video.](#)

Muni Moment - Bloomberg Markets: The Close

November 15th, 2023

[States' Anti-ESG Laws Will Harm Taxpayers.](#)

Boycotting financial-services companies over climate investment policies risks raising

pension systems' costs.

The Securities and Exchange Commission is slated to soon release mandatory disclosure rules for environmental, social and governance policies that are expected to require companies to report climate-related risks likely to have a material impact on their businesses. It is unclear whether compliance with these rules will be merely onerous, or absolutely unreasonable. On the flip side, many state policymakers have been crafting proposals to prevent their states from contracting with companies that practice ESG.

Ironically, these policies will have the same effect as the heavy-handed federal government regulations they're rebelling against: micromanaging US businesses and adding significant, unnecessary costs to achieve ideological aims. Think of it as right-wing ESG.

For example, in 2021 Texas enacted laws prohibiting municipalities from contracting with banks with particular ESG policies, specifically those that prohibited investment in fossil fuel companies. While many supported this policy, believing it would protect Texas' fossil fuel production, policymakers were less than transparent with voters about the costs — much of which taxpayers will bear. In the aftermath of the Texas law, five of the largest municipal bond underwriters stopped doing business in the state, unable or unwilling to comply with the restrictions.

[Continue reading.](#)

Bloomberg Opinion

By Douglas Holtz-Eakin

November 7, 2023

Douglas Holtz-Eakin is president of the American Action Forum and was chief economic policy adviser to Senator John McCain's presidential campaign.

[US Voters to Weigh Over \\$44 Billion of Bond Measures in Midterm Election.](#)

- **Proposals from Texas dominate list of largest ballot measures**
- **This year's tally marks a decline from \$66 billion in 2022**

Voters on Tuesday will decide if US cities and counties can bring more than \$44 billion of bonds to the market to finance building and expanding hospitals, schools and roads.

That sum is down by roughly a third from 2022 — a midterm election year, typically when more referendums are brought to ballots — as issuers sought approval of more than \$66 billion of bond measures. While voters signed off on more than 80% of last year's proposals, the latest measures come as states and cities run out of federal Covid-relief funds and voters across the country are being squeezed by rising costs.

"It seems as though economic sentiment is still bad, people really feel hurt by inflation," said Tom Kozlik, head of public policy and municipal strategy at Hilltop Securities Inc. Though, he added "if there are schools or local governments and areas that have been experiencing growth — a lot easier for them to ask for approval as opposed to places that haven't been."

[Continue reading.](#)

Bloomberg Markets

By Eniola Longe and Nic Querolo

November 6, 2023

[State Governments Lure Workers With Higher Pay. Moody's Warns of Budget Strains.](#)

- **Long-term pension liabilities expected to exceed wage growth**
- **Government wage growth is expected to out pace inflation**

State and local governments are approaching pre-pandemic employment levels as workers are lured into public service with incentives such as higher salaries that will strain some budgets, Moody's Investors Service warned.

The US labor market has experienced a strong recovery following significant job losses at the beginning of the Covid-19 pandemic. But public employment fell behind as state and local governments struggled to compete with the private sector for workers. So cities and towns and state agencies have had to raise pay and retirement benefits to keep up.

"Many states' revenue growth should be sufficient to pay for wage increases while maintaining a balanced operating budget," Moody's said in a Nov. 3 report. "However, in some cases, states will likely have to draw on reserves and face structural imbalance in order to fund the bumps."

[Continue reading.](#)

Bloomberg Markets

By Maxwell Adler

November 7, 2023

[S&P U.S. Not-For-Profit Health Care Rating Actions, October 2023](#)

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

6 Nov, 2023

[S&P U.S. Transportation Infrastructure Airport Update: The Industry Is Cleared For Takeoff, With Cost Pressures On The Horizon](#)

Key Takeaways

- Our sector view for airports remains stable.
- We expect revenue growth will be balanced against increased financing costs and large step-ups in

operations and maintenance expenses as well as renewed capital spending to modernize and expand capacity.

- Our economic outlook no longer includes a recession but projects a shallower, more protracted slowdown, which could translate into softening U.S. domestic airline travel.
- S&P Global Ratings' Transportation Infrastructure Medians report analyzing financial metrics through the fiscal 2022 highlights the strong rebound in overall airport performance measures powered by passenger growth and prudent management actions taken during and after the pandemic. Year-to-date, 20 airports across all hub sizes have issued a total of \$10.7 billion of debt with an average principal amount of \$544 million.

[Continue reading.](#)

7 Nov, 2023

[Sewer Rates Soar as Private Companies Buy Up Local Water Systems.](#)

New state laws have unleashed dozens of buyout attempts.

For residents in some Pennsylvania communities, flushing the toilet has suddenly gotten much more expensive.

In many townships and counties, rates have spiked as private water companies have bought up wastewater systems from local governments.

The new push to privatize sewer services follows the passage of a state law in 2016 that allows the dollar value of water systems to include not just pipes and plants but market factors such as their worth to the community, allowing them to be sold at much higher prices.

Community groups and municipal leaders say that law, an example of "fair market value" legislation, has unleashed dozens of buyout attempts as private companies have offered tens of millions of dollars for local water systems. Pennsylvania's municipalities have been at the forefront of the national movement, though an ongoing court case could slow the state's momentum.

[Continue reading.](#)

Route Fifty

By Alex Brown

NOVEMBER 9, 2023

[Peer Review of U.S. Managed Lanes \(Attribute Assessments, Metrics and Ratings\): Fitch Special Report](#)

This report provides an annual snapshot of Fitch Ratings' U.S. managed lanes (ML) portfolio, including key rating drivers (KRDs) and performance for each rated project in the past year. This report also discusses our ratings approach for MLs and includes noteworthy trends and updates in the current sector. ML projects discussed in this report are financed with debt primarily secured by

ML net revenues. MLs are a subset of the toll road sector and are rated by Fitch under the Transportation Infrastructure Rating Criteria (May 2022).

[ACCESS REPORT](#)

07 Nov, 2023

[A Sample of the Return on Investment for Certain Federal Infrastructure Awards.](#)

As more than 1,100 cities, towns and villages pursue, win and deploy infrastructure grant funds from the Bipartisan Infrastructure Law (BIL), officially known as the Infrastructure Investment and Jobs Act (IIJA), they are not only focusing on the infrastructure benefits of the project but have also demonstrated how these infrastructure projects will strengthen their local economies.

Some of the BIL programs require applicants to submit a [benefit-cost analysis](#) (BCA). NLC has collected a handful of these BCAs to demonstrate how direct federal funds can go further in the hands of local recipients. While the benefit-cost analyses required can be a bit overwhelming and even costly for smaller municipalities, they demonstrate the determination and work that municipalities are willing to do to show the value of these federal investments in their communities and for their residents.

[Continue reading.](#)

National League of Cities

by Christine Baker-Smith, McKaia Dykema & Kyle Funk

NOVEMBER 9, 2023

[Navigating the Fiscal Crisis in Public Transit.](#)

Two transportation-focused think tanks held back-to-back events last week, bringing transit advocates, scholars and industry leaders together to discuss solutions for the fiscal cliff many agencies are facing.

In Brief:

- The Eno Center for Transportation and TransitCenter both held webinars looking at ways for transit agencies to address financial challenges.
- Most big agencies had steep ridership and revenue losses in the wake of the COVID-19 pandemic.
- Federal relief is set to run out, leaving many agencies with big budget gaps.
- The biggest crisis facing U.S. transit agencies since the COVID-19 pandemic began is the so-called fiscal cliff — the steep drop in fare revenue that resulted from ridership losses and the looming expiration of federal relief funds that were provided to temporarily fill the gap.

[Continue reading.](#)

[Bipartisan Infrastructure Law Second Anniversary: Historic Legislation's Impact for Municipalities](#)

In November 2021, President Biden signed the Bipartisan Infrastructure Law (BIL), officially known as the Infrastructure Investments and Jobs Act (IIJA), into law. This historic legislation delivers necessary infrastructure funding to cities, towns and villages across the US. NLC and its members are celebrating BIL's second anniversary and the hope BIL is bringing to communities in critical need of infrastructure funds. This historic investment not only allows localities to make improvements to decades-old infrastructure but also funds new and innovative projects to make lasting infrastructure investments for the future.

As of August 2023, the administration has awarded more than \$13 billion dollars in funding to municipal-eligible projects. These allocations have resulted in the development of more than 1,600 projects across over 1,100 municipal governments for investments in resilience, safety and clean energy as well as roads, bridges, public transportation and other infrastructure that are used by more than 97 million people.

[Continue reading.](#)

National League of Cities

by Julia Bauer & Patrick Rochford

NOVEMBER 6, 2023

[Muni Investors, Take Heed of Fed Pause: AllianceBernstein](#)

[View the AllianceBernstein charts & graphs.](#)

[Public Retirement Systems Need Sustainable Policies to Navigate Volatile Financial Markets.](#)

State pension funding gap, 2021

Overview

Over the past decade, policy reforms and increased financial contributions have dramatically improved the cash flow situation of some of the nation's most troubled state pension plans. Thanks to these changes, which include reforms to benefit designs, a commitment to fiscal discipline, and

greater monitoring of the financial health of public retirement systems, no state is at risk of pension plan insolvency. Nevertheless, many states still have more to do to ensure the long-term sustainability of pension promises.

As recently as 2016, seven states still had gaps between outgoing benefit payments and incoming contributions that were large enough to cause insolvency if investments fell short of expectations and policymakers failed to react quickly. But by 2018, the number of plans at serious risk of insolvency had dropped to two. And in 2021, no state was below that dangerous threshold, a sign of the significant turnarounds achieved by states such as Colorado, Kentucky, and New Jersey.

However, sustainable pension policy requires more than just paying the bills due today. If a pension plan is meeting current needs but pension debt is steadily growing, future generations of policymakers might have to make unaffordable contribution increases or reduce benefits. From 2002 to 2018, states fell short of minimum funding thresholds by a combined \$220 billion, which caused the funding gap to grow in good economic times as well as bad. But after more than a decade of increasing pension contributions—which have risen by 7% annually since 2008—by 2021, states collectively were contributing enough to keep pension debt stable (though not enough to make progress in paying down pension debt). Most states met or exceeded Pew’s contribution benchmarks in 2021, but 21 still had negative amortization, meaning that contributions were insufficient to keep the funding gap from growing.

[Continue reading.](#)

The Pew Charitable Trusts Issue Brief

November 8, 2023

[The Ever-Rising Municipal Bond Market’s Technological Tide.](#)

When describing the municipal bond market, the first adjectives are usually “staid” or “stodgy”. The terms “data-driven” or “technologically cutting edge” are not usually the first prefaces attached.

That’s unfortunate—and increasingly inaccurate. Technological tides have risen steadily in this market, particularly in investing and money management, from digitized financial data to algorithmic trading. Now they are sweeping through.

Technology drives market innovation by its functions and the speed at which it can provide them. The question is not can it be done, but how can it be done, and how fast can it be done. The results are transformative. And with artificial intelligence and machine learning, it’s only moving faster.

[Continue reading.](#)

Forbes

by Barnet Sherman

Nov. 8, 2023

[**Municipal Bonds: This Is No Time for Market Timing**](#)

Municipal-bond investors who “wait for the turn” in interest rates may be missing out on the opportunity for strong forward returns when that reversal actually happens.

There were no headlines about important developments in the municipal bond market on the front page of the October 27, 2022, edition of The Wall Street Journal. However, something significant did occur on that day: it marked the local peak in municipal bond yields. But this inflection point could not be found in financial news headlines because no one knew at the time—such developments are only clearly glimpsed in the rearview mirror. It would be almost impossible to call the peak in interest rates with any real confidence until weeks or even a month after the fact.

However, there are a few things that we do know now. In the month following the peak in rates in October 2022, the turn (i.e., the reversal to a decline in rates) happened very quickly. From the end of the October to the end of November, municipal yields fell across the curve by roughly 50 to 60 basis points.

[Continue reading.](#)

Lord Abbett

By Nicholas Bragdon - Associate Investment Strategist

November 6, 2023

[**Muni Market Rally Has Legs, BlackRock's Carney Says.**](#)

Sean Carney, BlackRock's head of municipal strategy, explains why now is a good time to turn constructive on municipal bonds. He speaks with Romaine Bostick and Katie Greifeld on “Bloomberg Markets: The Close.”

[Watch video.](#)

Bloomberg Markets: The Close

November 8th, 2023, 12:54 PM PST

[**Bloomberg Muni Market Breakdown.**](#)

Chris Brigati, former SVP of Munis at Valley Bank, joins to discuss the muni bond market. Hosted by Matt Miller and Molly Smith.

[Listen to Audio.](#)

Bloomberg Markets

Nov 10, 2023

[Bonds vs. Bond Funds: How Higher Rates Are Changing the Calculation](#)

Many investors are taking a second look at bonds. Here are some options to consider.

The new era of higher interest rates has reignited a long-smoldering Wall Street debate: Is it better for ordinary investors to buy individual bonds outright? Or shares of bond mutual funds?

During the yearslong period of near-zero interest rates, the answer seemed simple: Funds had low fees and were easy to buy and sell, and share values rose alongside bond prices. If any one bond defaulted, losses were minimal.

The historic declines suffered by major bond funds last year highlighted the risks of that approach. Rising rates crushed funds' share prices. That is because bond prices drop when new higher-yielding bonds come on the market and make older, lower-yielding bonds less attractive. Because funds' share values are based on the market price of their bonds, someone who bought shares a few years ago could end up cashing out today with less money than they put in.

[Continue reading.](#)

The Wall Street Journal

By Heather Gillers

Nov. 11, 2023

[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 October) \$316.4 billion, -8.1% Y/Y
- Trading (as of October) \$12.9 billion ADV, -7.7% Y/Y
- Outstanding (as of 2Q23) \$4.0 trillion, -0.5% Y/Y

[Download xls](#)

[Bloomberg Muni Market Outlook.](#)

Eric Kazatsky, Senior Municipal Bond Strategist with Bloomberg Intelligence, joins to discuss the muni bond market. Hosted by Paul Sweeney and Matt Miller.

[Watch video.](#)

Bloomberg

Nov 03, 2023

[Tender Offers Are Here To Stay - What Do I Need To Know? - Orrick](#)

Municipal tender offers have rapidly increased in volume since 2020, and 2023 is anticipated to be the highest volume year for voluntary municipal tender offers. As reported by the Bond Buyer, 2021 and 2022 each saw about \$4 billion in municipal tender offers. As of July, about \$14.1 billion has been tendered or invited to tender this year. In the current interest rate environment, municipal issuers increasingly use tender offers to generate debt service savings, especially since advance refundings were eliminated by the Tax Cuts and Jobs Act in 2017. Many issuers are navigating these transactions for the first time.

Here's an overview of the basic structure, documentation and timeline of a tender offer to help issuers determine whether this financing structure could help them achieve their financing goals.

What is a tender offer?

In a tender offer, a bond issuer makes a public offer to bond holders to relinquish or "tender" their bonds for cash or to exchange their existing bonds for new bonds. The tendered bonds are then purchased by the issuer and canceled or exchanged for new bonds and then canceled.

[Continue reading.](#)

Orrick, Herrington & Sutcliffe LLP

November 1, 2023

[Citigroup Weighs Shutting Once Dominant Muni Business.](#)

- **CEO Fraser considering political ramifications of such a move**
- **Deliberations come amid restructuring aimed at boosting profit**

Chief Executive Officer Jane Fraser is weighing whether to shutter Citigroup Inc.'s municipal-bond trading and origination business, which for decades was a powerhouse in the \$4 trillion market for US state and local debt.

Senior executives in favor of closing it down have presented the proposal to Fraser in response to her push to bring the firm's profitability in line with its competitors, according to people familiar with the matter. No final determination has been made and the CEO could still elect to hold on to the business.

Political ramifications may factor into the decision, the people said, asking not to be identified discussing internal deliberations. Banks often point to their work raising money for cities and states when facing scrutiny from local and federal politicians, and a decision to exit such a business could

invite blowback.

The debate shows just how far Fraser is willing to go to improve Citigroup's returns, which have long lagged behind Wall Street's other top banks. She has already moved ahead with plans to jettison more than a dozen retail-banking units in overseas markets and initiated the biggest restructuring of Citigroup in decades as she whittles down the company's byzantine management structure.

The business of underwriting bonds for state and local governments has been thrust into the spotlight by Texas and several other Republican-led states that have picked fights with Wall Street over policies that limit work with the gun and fossil-fuel industries. Earlier this week, JPMorgan Chase & Co. CEO Jamie Dimon warned Texas that the state risks undermining its business-friendly reputation by pushing anti-business laws.

The debate at Citigroup is focused on how profits from the muni operation have been a laggard, and is not a response to political confrontations in Texas, the people said. The costs associated with the business don't always justify the revenue it brings in, one of the people said.

It's a notable fall for the bank's municipal-bond business, which spent years near the top of the league tables and ranked No. 2 as recently as 2021. Since then, Citigroup has tumbled in the rankings for underwriting state and municipal debt. The Wall Street giant has fallen to eighth place this year, according to data compiled by Bloomberg.

A representative for the New York-based company declined to comment on deliberations about the the muni-bond business.

While the brewing controversy in Texas was not the reason for Citigroup to begin deliberating the future of the municipal business, it didn't help. Being frozen out of Texas deals has further crimped the unit's revenue, thereby hurting overall profitability, the people said.

Just three years ago, Texas deals accounted for 14% of Citigroup's municipal-bond volume, according to data compiled by Bloomberg. Fraser, for her part, has sought to rekindle her bank's business in the state. In August, she and Ed Skyler, Citigroup's head of enterprise services and public affairs, traveled to Texas to meet with Governor Greg Abbott about the bank's continued commitment to the state.

Last year, Citigroup revamped parts of the group's trading and banking units, closing its muni proprietary-trading operation, which used the firm's own cash to trade and invest. The company also offered buyouts to more than a dozen senior traders, bankers and salespeople, which spurred further departures across the group.

Fraser, as part of her bid to boost profits, has pledged to be dispassionate when it comes to ditching or rejiggering businesses that don't meet the firm's targets for profitability. She's looking to lift a key measure of profitability known as return on tangible common equity to at least 11% by 2027 at the latest. Many of her rivals are already notching returns much higher than that: JPMorgan's figure stood at 23% in the first nine months of 2023. At Bank of America Corp., that ratio was 16%.

"When I became CEO, we began immediately with refreshing our strategy, laying out the new vision for the firm in order to transform Citi into a simpler bank and to unlock the full value potential and to deliver higher returns in the medium term," Fraser said at an investor conference in September. "I had a very clear-eyed assessment of exactly where we stood versus our peers, but also the issues that have held us back over the years."

Bloomberg

By Sridhar Natarajan and Jennifer Surane

November 3, 2023

— *With assistance by Martin Z Braun and Danielle Moran*

[S&P U.S. Municipal Water And Sewer Utilities Rating Actions, Third-Quarter 2023.](#)

Overview

S&P Global Ratings took 28 rating actions, made eight outlook revisions, and made one CreditWatch placement in the U.S. municipal water and sewer utilities sector in the third quarter of 2023. We affirmed 57 ratings with no outlook revisions and placed one rating on CreditWatch with negative implications.

Positive rating actions outweighed negative actions, with 13 upgrades compared to two downgrades in the quarter. The upgrades were to systems that had exhibited sustained improvement in financial performance or material positive changes in operating characteristics. We assigned a negative outlook to five ratings, exceeding the three outlooks revised to positive.

New ratings further increased against first- and second-quarter 2023 and also trended above the same period last year. Although rating movement has remained stable and consistent with that of second-quarter 2023, movement is generally down from the same period in 2022.

[Continue reading.](#)

30 Oct, 2023

[Muddling Through Stubborn Inflation and Spooked Bond Markets.](#)

Halloween seems an apt metaphor for what state and local financiers will encounter over the next year and beyond: plenty of tricks but a modest supply of treats.

Wall Street banshees call it “bondageddon”: the recent period of selloff-driven market losses in the U.S. government bond market that some researchers claim is the worst since 1787. In parallel, this year’s run-up in municipal bond yields — the returns investors expect — has been equally dramatic. After years of suppressed interest rates driven to near zero or even negative numbers by central banks around the world, investors suddenly awoke to a wicked brew of stubborn inflation, tight labor markets, monetary tightening and seemingly endless federal borrowing. Like zombies, high interest rates have arisen to spook the markets and public policymakers.

Markets now face a world of positive “real” interest rates — rates that exceed inflation — and there’s new talk about the “term premium,” which is the extra interest that longer-term investors now demand for the risks they take of higher future rates, along with growing federal deficits and possible higher inflation. Gone are all the pro-deficit incantations of a few years ago about the

supposedly supernatural powers of Modern Monetary Theory to keep interest rates low forever while political vampires gorge on government debt.

[Continue reading.](#)

governing.com

OPINION | Oct. 31, 2023 • Girard Miller

[Behind the Battle on Public University Funding.](#)

What is behind the decline in funding to public universities? Director Steve Mims joins Lunch Break with Tanya Rivero to discuss his new documentary, 'Starving the Beast' addressing the ongoing debate surrounding funding and the divide that has led us to this place.

[Watch video.](#)

The Wall Street Journal

By Ydejesus

September 8, 2016

[Muni Market's Five-Year Streak of November Gains Is on the Line.](#)

- **Seasonal slowdown in municipal bond sales provides tailwind**
- **Economic downturn, geopolitical risks bode well for bonds**

This month might be a good time for investors to stuff their portfolios with municipal bonds.

It's not just that tax-equivalent yields on munis are hovering around 10% for wealthy residents in high tax states like New York and New Jersey. It's the track record. Since 2018, state and local-government debt has gained in November, according to the Bloomberg Municipal Bond Index. And over the last 10 years the month has posted positive returns seven times.

Seasonal supply and demand dynamics help to explain why. Municipal issuance tends to be slower in November and investors typically have more cash on hand from coupon payments than available debt to purchase. Citigroup Inc. estimates that the cash investors receive from bond payments will exceed the volume of state and local-government bond sales by \$3 billion in November.

[Continue reading.](#)

Bloomberg Markets

By Martin Z Braun

November 1, 2023

Muni Bonds Extend Rally, Driving Yields to Biggest Weekly Drop Since 2022.

Municipal bonds extended a rally on Friday with yields falling more than 11 basis points across the curve after softer than expected payroll data fueled bets that the Federal Reserve is done raising interest rates.

Yields on benchmark 10-year debt fell 12 basis points to 3.35% on Friday afternoon, capping a 28 basis points slide this week, according to data compiled by Bloomberg. That's the largest weekly decline since May 2022.

US job growth slowed more than expected and the unemployment rate rose to an almost two-year high in October, easing investors concern about future rate hikes. Fixed income assets rallied on the news with yields on 10-year Treasuries falling 10 basis points to 4.6%.

[Continue reading.](#)

Bloomberg Markets

By Nic Querolo and Martin Z Braun

November 3, 2023

Opportunities in High Quality Bonds.

The UBS Chief Investment Office continues to favor positioning in high-quality municipal sectors, including bonds issued by states. They explain why in this edition of the Municipal Market Guide.

Outlook

In the near-term, we anticipate market technicals to remain relatively weak before strengthening in the December-January time frame, consistent with historical precedent. However, before that happens, we expect the pace of tax loss harvesting activity to accelerate into year-end, adding volatility to an already disorderly market.

For selective buyers willing to withstand the year-end volatility, the current environment still provides a good opportunity to lock-in attractive yields on tax-exempt municipal bonds. The yields now on offer from high-quality issuers have not been seen in 16 years. Which begs the question: buy now or wait it out until the new year? We are inclined to seek opportunities to buy highly rated bonds now and become more aggressive into the early part of December before new issue supply wanes. As a point of reference, taxable equivalent yields (TEYs) on short-dated high-quality munis now range from about 6.5% to 8%. Meantime, the value on longer-dated munis is more compelling. TEYs can exceed 10% for taxpayers residing in states that impose lofty personal income taxes, as an example.

We expect the pace of US economic growth to slow to below trend over the next 12 months. An environment in which economic growth slows, inflation declines, and the Fed loosens monetary policy bodes well for high quality munis. The timing is difficult to predict but we are obliged to remind our readers that municipals encounter higher friction costs than other asset classes and are not as easily traded in smaller block sizes. For private clients, tax exempt municipals are best viewed

as a vehicle for income-oriented investors seeking shelter from higher taxation. To that extent, a short-term unrealized loss may be a small “price” to pay to lock-in a portfolio of high-quality bonds for the longer term.

Portfolio themes

Lock-in high taxable equivalent yields amid volatility

We view the recent increase in muni yields as an opportunity for income-oriented investors to seek attractive values on longer dated munis. As a point of reference, tax-equivalent yields (TEYs) on AA rated high quality municipal bonds at the 20-year maturity point now sit at levels (~7.8%) that are higher than the average (5.1%) over the past 15 years.

Buy high quality bonds

At current spreads, we continue to favor positioning in high-quality muni sectors rather than lower rated high yield credits. As a point of reference, the yield gap between high yield munis and investment grade munis sits at 194bps. By comparison, this spread rests below its longer-term average (235bps), suggesting that higher quality bonds offer the better value.

Target tax loss harvesting to save taxes

Following the increase in muni yields over the past few years, many individual bonds are now posting unrealized losses. By realizing a capital loss — harvesting a loss — to offset taxable gains, reported investment gains and tax liabilities decrease. Therefore, US tax regulations may have the effect of granting losses of noteworthy value to an investor, because these losses can be used to defer taxes.

While “wash sale” rules exist, municipal bond investors should consider tax-loss strategies along with other portfolio improvement strategies, such as duration adjustments; sector and geographical diversification; or consolidating positions. Investors may be able to lower their tax liability while shifting from underperforming securities to those securities better positioned for current market conditions.

For more on why CIO still favors high-quality bonds, read the full [Municipal Market Guide](#) report, published on 26 October 2023.

by UBS Editorial Team

31 Oct 2023

[ETF Investors Plowed Into Ultrashort Bonds as Global Markets Slumped.](#)

October ETF flows reflect investor uncertainty.

Key Takeaways

- The Morningstar Global Markets Index entered correction territory when it lost 3.27% in October.
- The Morningstar US Core Bond Index shed 1.56%, marking its sixth straight month in the red.
- U.S. exchange-traded funds collected roughly \$29 billion, a modest sum by their standards.
- Ultrashort-bond funds reeled in nearly \$14 billion to power fixed-income flows.

- Outflows from international equity and U.S. large-value funds weighed on stock-ETF flows.
- IShares, Vanguard, and J.P. Morgan finished October atop the ETF provider flows standings.
- Another rough month of performance left small-cap strategies looking undervalued at October's end.

[Continue reading.](#)

morningstar.com

by Ryan Jackson

Nov 1, 2023

[Interest Rates Are Rising, But States Aren't Worried Yet. Here's Why.](#)

State and local governments generally use bonds to finance major infrastructure projects. But higher rates won't bust budgets just yet. Plus, more news to use from around the country in this week's State and Local Roundup.

It's Saturday, Oct. 28, and we'd like to welcome you to the weekly State and Local Roundup. There's plenty to keep tabs on, with a federal court striking down Georgia's voting maps, the Texas House voting to let state and local law enforcement arrest migrants, and universal school choice voucher programs potentially busting some state budgets.

But first we turn to Wall Street, where U.S. Treasury 10-year bond rates have hit highs not seen since the Great Recession. That's usually a red flag for state and local governments because they use bonds to finance major infrastructure projects. If the rates on Treasury bonds go up, the rates on all sorts of other bonds go up too.

This year, though, state and local governments are in good shape to withstand the higher costs of issuing debt, according to experts. Thanks to federal pandemic aid and strong revenues over the last few years, one of the biggest things going for states right now is that most of them are flush with cash.

[Continue reading.](#)

ROUTE FIFTY

by DANIEL C. VOCK

OCT 28, 2023

[S&P: The Evolving Impact Of Environmental And Social Factors On Credit Ratings](#)

Key Takeaways

- Our credit ratings are forward-looking opinions that reflect the ability and willingness of debt

- issuers, like corporations or governments, to meet their financial obligations on time and in full.
- Our environmental, social, and governance (ESG) factors concern an entity's effect on and impact from the natural and social environment and the quality of its governance. However, not all of these factors influence creditworthiness and, thus, credit ratings.
 - We define ESG credit factors as a subset of ESG factors which, by applying sector-specific criteria, we believe could materially influence the creditworthiness of a rated entity or issue and for which we have sufficient visibility and certainty to include in our credit rating analysis.
 - Increasing frequency and severity of climate-related risks could result in environmental and social factors becoming more material, influential, and certain in our credit analysis over time.

[Continue reading.](#) [Free Registration Required.]

25 Oct, 2023

[S&P U.S. Public Finance Housing Rating Actions, Third-Quarter 2023](#)

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

23 Oct, 2023

[Fitch Ratings Releases Granular Sector-Specific 2022 Transition and Default Study.](#)

Fitch Ratings-London/New York-13 September 2023: Fitch Ratings has published an expanded sector-specific transition and default study for 2022. Transition and default rates are used by a number of participants in the debt capital markets to calibrate credit risk across their portfolios. From an investor with a mandate that includes rating level restrictions to a risk manager running complex quantitative models, reliable transition and default data act as key inputs to financial analysis. They also quantify the stability of ratings over time.

To aid with this analysis and to provide more granular information to market participants, Fitch has expanded its annual rating transition and default report to incorporate a number of key sub-sector and sub-asset-class tables. The new data includes a split out of financial and non-financial corporates including individual sector tables for emerging and developed markets. It also includes a breakdown of key structured finance sub-asset classes such as Autos, Credit Cards, Prime-RMBS and CLOs.

The full dataset includes 427 transition and default matrices, based on track record from 1990.

The dataset is available to Fitch Connect subscribers.

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[As TikTok and Other Chinese Technologies are Deemed Dangerous, What Should State and Local Governments Do?](#)

COMMENTARY | Finding and replacing Chinese-made equipment in state and local government networks will be challenging and expensive. But the threat is genuine and must not be ignored.

TikTok, the popular video app that is used by more than 135 million Americans, is facing an increasingly loud chorus of opposition from U.S. officials concerned about the company's relationship with the Chinese government.

As of April, at least 34 states have issued some sort of prohibition on the app's use on government-owned and -issued devices by agencies, employees and contractors. Montana, has gone so far as to pass legislation restricting the app on personal devices, though the measure is being challenged in court.

Driving all this action is concern that TikTok's parent company ByteDance could be forced to share data on U.S. users, such as their profiles, contacts, messages and location information, with the Chinese government under the country's 2017 National Intelligence Law. That law states that "any organization or citizen shall support, assist, and cooperate with state intelligence work," and experts say that Chinese companies would have no choice but to hand over data if authorities in Beijing requested it.

[Continue reading.](#)

Route Fifty

By Tom Guarente,
Armis

OCT 26, 2023

[S&P: U.S. K-12 Schools Are A Playground For Cyber Criminals](#)

Key Takeaways

- The Cybersecurity and Infrastructure Security Agency states that K-12 traditional school districts and charter schools (K-12 public schools) tend to be a target of cyber crime due to two primary reasons: They are “target rich and cyber poor.”
- K-12 public schools maintain highly sensitive data and typically have more limited financial and resource allocation to data security, including in-house cyber security expertise, making them high risk for cyber crime.
- To date, for those S&P Global Ratings rated schools that have faced cyber incidents, we have not observed long-term operational or material financial impacts to credit quality due to cyber risk mitigation plans, including cyber insurance.
Assessing cyber risk in K-12 public schools is part of our ongoing surveillance for these ratings, as we believe that the true number of cyber attacks on these schools is much higher than what was publicly reported.
- S&P Global Ratings’ views cyber security as an aspect of U.S. public finance issuers’ comprehensive risk-mitigation strategies. We consider risk management and mitigation a governance factor under environmental, social, and governance.

[Continue reading.](#)

24 Oct, 2023

[Treasuries Breach 5%, Munis Hit 10?](#)

Eric Kazatsky and Karen Altamirano discuss the recent happenings affecting the muni market.

[Watch video.](#)

Bloomberg

October 27th, 2023

[Muni Market to Recover in 2024, Wells Fargo's Peck Says.](#)

Chuck Peck, Wells Fargo’s head of municipal products, discusses the outlook for the municipal bond market with Katie Greifeld and Romaine Bostick on “Bloomberg Markets: The Close.”

[Watch video.](#)

Muni Moment - Bloomberg Markets: The Close

October 25th, 2023

[Muni-Bond Yields Have Finally Climbed Enough to Entice Buyers.](#)

- **Bloomberg municipal-market panel discusses trends, outlook**
- **Topics include buyer demand and a changing marketplace**

Municipal-bond yields at the highest in more than a decade are spurring optimism on the part of investment managers, who have been dealing with persistent fund outflows this year as the market has struggled along with the rest of fixed income.

The muni market is on track for a second straight year of declines, punished by the Federal Reserve's interest-rate increases and its message that it intends to keep borrowing costs higher for longer to tame inflation.

Yields have surged across the bond universe, with one measure of rates rising to levels last seen in 2009. For market participants speaking on a Bloomberg muni-market panel Monday evening in New York, the selloff may have reached a point where demand will re-emerge.

[Continue reading.](#)

Bloomberg Markets

By Skylar Woodhouse, Nic Querolo, and Eniola Longe

October 24, 2023

[Earn 4.5% With No Taxes? How to Invest in Municipal Bonds.](#)

The tax advantages of buying bonds in your own backyard

Want to get a tax-free return on your money? Put sewers and subway systems in your portfolio.

The municipal bonds that state and local governments sell to pay for unsexy-sounding infrastructure projects are offering their highest yields in more than a decade. New bond investors snapped up Treasuries after interest rates surged this year, but the special tax advantages of muni bonds make them also worth a look, financial advisers say.

Munis, like all bonds, are debt. Local governments sell them to get money for funding big projects. Investors who hold munis generally don't have to pay federal tax on the interest they earn, unlike their gains from savings accounts or certificates of deposit. Better still, when investors buy bonds issued in their home state, they typically don't have to pay state taxes on that interest either. Advisers say these tax advantages often give muni bonds an edge over other investments.

[Continue reading.](#)

The Wall Street Journal

By Oyin Adedoyin

Oct. 19, 2023

Fitch: Momentum Slows for U.S. Public Finance

Fitch Ratings-New York-18 October 2023: With continued Federal Reserve tightening increasing the likelihood of a mild recession early next year, there are signs that positive rating momentum has begun to slow, according to Fitch Ratings' third-quarter U.S. public finance ratings review.

Last quarter showed a relatively even split between public finance upgrades (25) and downgrades (27) compared to 61 and 20, respectively, in 2Q'23. State government rating activity consisted exclusively of affirmations for states such as California, New York and New Jersey; while Fitch upgraded ratings for seven local governments, among them Buffalo (NY), Minneapolis (MN) and Sweetwater Union High School District (CA). That said, "Revenue growth is beginning to slow for U.S. states and local governments and an expected recession in the first half of next year will weaken macro conditions even further," said Arlene Bohner, Fitch's Head of U.S. Public Finance.

Not surprisingly, NFP hospitals are where the tilt towards more negative rating actions becomes more pronounced (two upgrades and six downgrades in 3Q'23).

"Staffing shortages and elevated labor costs, the delay of certain services due to lack of staffing, and an admission mix skewed towards more medical than surgical have become the new norm for many hospitals," said Bohner.

Despite a flat quarter (one downgrade in 3Q'23), higher education will remain under formidable pressure for the foreseeable future. "A subdued consumer spending environment driven in part by resuming student loan payments will keep a damper on overall enrollment prospects, particularly for community colleges, while squeezing an important pipeline into traditional four-year schools," said Bohner.

Fitch's "U.S. Public Finance Rating Actions Report and Sector Updates: Third-Quarter 2023" is available at www.fitchratings.com.

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Additional information is available on www.fitchratings.com

Fitch U.S. Public Finance Rating Actions Report and Sector Updates: Third-Quarter 2023

Previously positive rating momentum slowed for the U.S. Public Finance (USPF) sector, which saw a relatively even split between upgrades and downgrades in 3Q23. Fitch Ratings upgraded 25 USPF

ratings and downgraded 27 during the quarter, compared to 61 and 20, respectively, in 2Q23. Upgrades represented approximately 2.7% of rating activity in the quarter, while downgrades represented approximately 2.9%. Six of eight USPF sector outlooks are deteriorating, with the remaining two at neutral relative to 2022. The number and distribution of rating actions continues to underscore credit stability within the sector. Similarly, Rating Outlooks are overwhelmingly Stable, even in the face of weaker operating conditions, representing 90.9% of the portfolio. Positive Rating Outlooks/Watches represented 5.3% as of 3Q23 quarter end, while Negative Rating Outlook/Watches represented 3.8%. Revenue growth is beginning to slow for U.S. States and Local Governments; as such, an expected recession in 1H24 will weaken macroeconomic conditions facing U.S. states and local government entities. However, Fitch's measures of overall credit quality should remain stable and strong given prudent efforts in recent years to bolster financial resilience. In the Not-For-Profit Hospital sector, providers remain under considerable pressure, particularly with respect to labor challenges, general inflation and equity market volatility.

[ACCESS REPORT](#)

Wed 18 Oct, 2023

[S&P U.S. Public Finance Quarterly Update Q4, 2023.](#)

For most U.S. public finance issuers, higher interest rates and inflation remain headwinds from a debt issuance and operating/capital budget perspective.

[DOWNLOAD](#)

[How States Can Avoid a COVID Relief Fiscal Cliff.](#)

States that used COVID relief for one-time and short-term expenses and carefully managed the funding will be well positioned when federal funding expires.

After COVID-19 descended on the U.S. and forced a partial shutdown of the world's biggest economy in early 2020, Congress approved \$5 trillion in emergency relief to respond quickly to the unprecedented disruption. The intervention worked. Though the two-month COVID recession was deeper than even the Great Recession of 2007-09, the [U.S. bounced back much more quickly](#).

A key piece of the pandemic aid came in 2021, when Congress provided \$350 billion in Coronavirus State and Local Fiscal Recovery Funds, or SLFRF, to support the budgets of states, cities, counties and tribal governments that had been forced to mount massive relief efforts while simultaneously seeing their tax revenues plummet due to lockdowns and layoffs. Included in the American Rescue Plan, SLFRF was intended to address health and economic impacts, as well as maintain critical public services during the pandemic.

The funding kept state governments afloat and helped prevent the recession from dragging on for years. But now, with SLFRF funds set to expire by the end of 2026, states face a new challenge. As detailed in a [new issue paper from the Volcker Alliance](#) authored by Beverly Bunch, states must confront the fiscal cliffs they could face if they allocated the recovery aid to recurring programs rather than one-time costs stemming from the pandemic.

[Continue reading.](#)

Route Fifty

By Beverly S. Bunch and William Glasgall

OCTOBER 16, 2023

US Cities Enter Era of Austerity Without Pandemic Aid, Report Says.

- **Officials see sales, income tax growth slowing in fiscal 2023**
- **Municipalities brace for federal stimulus to expire in 2026**

Cities across the US seem to have financially weathered the pandemic, thanks mostly to massive federal stimulus funding.

Despite elevated inflation, tax revenues surged last year as economic activity picked up and unemployment rates fell to historic lows, according to a [report](#) published Thursday by the National League of Cities.

Yet, city leaders are concerned about the years ahead because the billions of dollars in pandemic aid they received is scheduled to expire in 2026. Many localities have already exhausted those funds.

[Continue reading.](#)

Bloomberg Markets

By Nic Querolo

October 19, 2023

S&P U.S. Not-For-Profit Health Care Rating Actions, September And Third Quarter, 2023.

S&P Global Ratings maintained 20 ratings without revising the outlooks, took two positive rating actions, nine negative rating actions, revised five outlooks favorably without changing the ratings, and revised two outlooks unfavorably without changing the ratings in the U.S. not-for-profit health care sector in September.

There was one new issuer credit rating assigned this month to Fisher-Titus Medical Center in Ohio. There were two new debt issuances in the month for Mercy Health in Missouri (rating and outlook unchanged) and the University of Illinois Health Services Facilities System (favorable outlook revision).

The 18 rating actions and outlook revisions consisting of the following:

- Two upgrades on stand-alone hospitals Flagler Health +, Fla. and Wellstar MCG Health, Ga. due to its acquisition by Wellstar;

- Nine downgrades on six stand-alone hospitals and three systems, with all but two in the ‘BBB’ or speculative grade categories;
- Five favorable outlook revisions—all from stable to positive—on two stand-alone hospitals (with a corresponding dependent outlook also revised to positive), one health system, and one long-term care center; and
- Two unfavorable outlook revisions on one stand-alone hospital and one system both in the ‘A’ category.

[Continue reading.](#)

17 Oct, 2023

[S&P U.S. Not-For-Profit Health Care Outstanding Ratings And Outlooks As Of Sept. 30, 2023.](#)

[Continue reading.](#)

18 Oct, 2023

[Building Trust in Local Government with Better Budgeting.](#)

A more transparent, collaborative and data-driven budget process can help municipalities implement real change.

Municipal budgeting processes have remained largely unchanged for decades, but that’s not because local government officials think the process works perfectly. Many suspect their budget process could be improved, but revamping long-established practices is never simple.

With the public’s satisfaction with government waning, it’s time to consider how budgeting can improve the public’s trust in municipalities, said Shayne Kavanagh, director of research for the Government Finance Officers Association. GFOA and its partners are working to better understand the municipal budgeting landscape and identify ways local governments can leverage best practices to build a modern, transparent and efficient budget process.

GFOA’s Rethinking Budgeting initiative “is responsive to what I would call this pervasive sense that our institutions need updating,” Kavanagh said.

[Continue reading.](#)

ROUTE FIFTY

by MOLLY BOLAN

OCTOBER 19, 2023

[Is It Time To Stop Worrying About Pensions?](#)

Public pension numbers are looking better than they have in over a decade. But some worry it may not last.

Welcome back to Route Fifty's Public Finance Update! I'm Liz Farmer and this week I'm writing about the latest public pension plan numbers—which are the best they've been since the Great Recession and the Financial Crisis slashed assets by one-third between 2007 and 2009.

Nationally, pensions now have 77% of the assets they need to meet all their future unfunded liabilities, and the Equable Institute, a bipartisan non-profit that promotes public sector retirement security, predicts that will rise to 78% this year. It's the highest funded ratio for pensions since 2009.

What's more, funding discipline has improved over the last decade. Data collected by the Boston College Center for Retirement Research shows that more governments have been paying their full pension bill. Last year, 98% of the average pension bill was paid, compared with just 81% back in 2011. Some would also say that those bills are more realistic than they were before the Great Recession as many pension plans have shifted their investment return assumptions downward from 8% in 2009 to a median of 7% today.

[Continue reading.](#)

Route Fifty

By Liz Farmer

OCT 18, 2023

[EPA Withdraws Cyber Audit Requirement for Water Systems.](#)

The agency asserted that it still “remains committed” to helping states protect their water systems, despite legal challenges to its formal mandate.

The Environmental Protection Agency announced on Wednesday its [withdrawal](#) of earlier guidance aimed at fostering strong cybersecurity protocols within the nation's water system infrastructure, meaning states will no longer need to adhere to audit requirements for the cybersecurity of their public water systems.

The withdrawal stems from ongoing litigation between the states of Missouri, Arkansas and Iowa and the EPA, where the U.S. Court of Appeals for the Eighth Circuit [ordered a halt](#) of the memorandum's enforcement in July.

Despite the change in policy direction, the agency said that its cybersecurity posture remains “one of the EPA's highest priorities” and that cyber attacks “remain a significant threat” to water system operations.

[Continue reading.](#)

Route Fifty

By Alexandra Kelley

OCT 16, 2023

[What Is Going On With the Economy and What Does It Mean for the Municipal Market? - ArentFox Schiff](#)

Anyone who thinks they understand what is happening in the economy - and what will happen - should think some more. The post-pandemic state of the economy is somewhat of a mystery, but a mystery worth exploring. Unemployment is a low 3.8%. Inflation is somewhere between 3.5% and 4.5% depending on which index is used. Mortgage rates are about 7.5%, the highest rates since 2001. And the numbers released a few days ago have inflation being at best flat and at worst up a bit, raising questions about another rate increase.

The yield on the 10 year Treasury is about 4.8% and the 30 year Treasury is about 4.9%. The Fed Funds rate is about 5.33% - an inverse curve. And yet the economy produced 336,000 new jobs in September, outperforming predictions by almost two times.

In summary, as interest rates have risen over the past one and a half years, inflation has declined but surprisingly jobs have meaningfully increased. Typically increasing interest rates results in economic stagnation not in economic growth. Rising interest rates resulting in economic growth is counter-intuitive, counter-historical, and counter to conventional economic theory.

So why is this happening? One plausible theory is that essentially there are more jobs than people who need to work, i.e. there is a labor shortage allowing for significant pay raises and therefore strong consumer spending supporting continued economic growth.

[Continue reading.](#)

ARENT FOX SCHIFF

by DAVID L. DUBROW

OCTOBER 17, 2023

[The View from Muniland: Once in a Generation](#)

Jason Mertz: Daryl, it feels like Groundhog Day, with yet another challenging quarter for muni investors. The index was down about 4%, bringing year-to-date returns to -1.4% for the year. So what happened in August and September?

Daryl Clements: There's a couple of things you could point to, the first being the constant drumbeat from the Fed of higher rates for longer. Also, the Fed recently removed two rate cuts next year. And then it's just the expectation of more Treasury issuance.

JM: But the economic landscape has certainly changed.

DC: So, you go back a year. The Fed funds rate was about 2.5%; today it's 5.5%. Inflation was running over 8%; now it's less than 4% with core inflation, core CPI, at 2.5%. So, the economy is clearly slowing.

JM: The Muni Bond Index is yielding [the] highest it's been since 2007, 4.33%. On a tax-equivalent basis for someone in the highest tax bracket, that's north of 7.25.

DC: Oh, it's clearly an opportunity. Yields are as high as they've been in a generation, basically. If you expect yields to fall over the next 12 months, you want duration, because that will provide a boost to your total return.

And within that, you want to be mindful of your maturity structure. The municipal yield curve has a wonky shape, it's kind of a U shape. So, if you barbell around that, if you buy a 15-year bond and a one-year bond in equal amounts and compare that to the yield of an eight-year bond, you'll have a higher yield, but with the same interest-rate sensitivity.

And then credit. And what I mean by that: single A-rated bonds, BBB, some high-yield bonds, where spreads are wider than their long-term average, even though municipalities and states are in their strongest balance-sheet position ever. So you may want to take advantage of credit if you can.

JM: With income levels the highest they've been in over 15 years, you have a bit of asymmetry at your disposal. What exactly does that look like over the next 12 months?

DC: Yield not only provides income, but it also provides downside mitigation. And when you look at the asymmetry of returns today, it's astounding. For example, 10-year Treasury yield goes up 100 basis points over the next 12 months. The index return will, in essence, be flat. However, if the 10-year Treasury yield were to fall 100 basis points, that same index is up nearly 8.5%.

That is astounding, Jason. But investors aren't recognizing that. They're still a little shell-shocked. However, I think over time, as investors realize the benefits here—the upside relative to the downside mitigation—reason will prevail.

advisorperspectives.com

by Daryl Clements, Jason Mertz of AllianceBernstein, 10/23/23

The views expressed herein do not constitute research, investment advice or trade recommendations and do not necessarily represent the views of all AB portfolio-management teams. Views are subject to revision over time.

[Opportunity Knocks for Municipal Investors.](#)

September update

- Municipal bonds sold off considerably in September alongside vastly rising interest rates.
- Limited demand and a seasonal transition back to net positive supply weighed on the market.
- The reset in yields and valuations provides an attractive long-term buying opportunity.

Market overview

Municipal bonds posted sharply negative total returns in September amid heightened volatility. Interest rates rose rapidly and pressured fixed income assets as the market navigated a moderate rise in inflation, continued strength in the labor market, surging oil prices, and more hawkish than-expected message from the Federal Reserve (Fed). The asset class, dragged down by rich valuations and less favorable supply-and-demand dynamics, lagged versus comparable Treasuries. The S&P Municipal Bond Index returned -2.68%, bringing the year-to-date total return to - 1.07%. Shorter-duration (i.e., less sensitive to interest rate changes), AA-rated bonds and the corporate-backed, utility, and transportation sectors performed best.

[Continue reading.](#)

advisorperspectives.com

by Peter Hayes, James Schwartz, Sean Carney of BlackRock, 10/17/23

[Bloomberg: Muni Bond Market Latest](#)

Eric Kazatsky, Senior Municipal Strategist with Bloomberg Intelligence, joins to discuss the latest on the muni bond market. Hosted by Paul Sweeney and Matt Miller.

[Listen to audio.](#)

Bloomberg Markets

Oct 20, 2023

[Growing a Fledgling Fund Amid Muni Chaos: Masters of the Muniverse](#)

Rates are higher (for longer, if we're being honest), the curve is pancaking and, once again, fixed-income losses will be headline fodder. However, with every tick higher in benchmark yields, municipals get an opportunity that many in the asset class won't see in a career. For those investors focused on building an income stream and less on immediate statement marks, munis are becoming the must-have accessory for this fall season. James Pruskowski, chief investment officer and head of the Global Client Business at 16Rock asset management, joins Eric Kazatsky and Karen Altamirano this month to discuss the latest run-up in rates, the macro headwinds buffeting the market and what technological change in munis may look like.

[Listen to audio.](#)

Bloomberg FICC Focus

Oct 19, 2023

[Front End of Yield Curve May Be at Peak: Truist's Hughey](#)

Chip Hughey, Truist's managing director of fixed income, discusses municipal bond yields with Katie Greifeld and Romaine Bostick on "Bloomberg Markets: The Close."

[Listen to audio.](#)

Bloomberg Markets: The Close - Muni Moment

October 18th, 2023

[Low Price Points Move Muni ETF Fund Flows.](#)

Eric Kazatsky and Karen Altamirano look under the hood of muni ETFs.

[Watch video.](#)

Bloomberg

October 13th, 2023

[Harnessing the Inverted Municipal Yield Curve: Alliance Bernstein](#)

[Continue reading.](#)

OCTOBER 20, 2023

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

[View the Current List.](#)

5 Oct

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

[View the list.](#)

5 Oct, 2023

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

[View the Current List.](#)

[NASBO Summary of Enacted Budgets.](#)

[View the NASBO Summary.](#)

[UBS to Exit Key Muni Investment Banking Business, Plans Job Cuts.](#)

- **Bank to ‘shift’ away from negotiated muni bond sales: memo**
- **UBS is the 20th biggest muni underwriter so far in 2023**

UBS Group AG is halting most of its municipal bond underwriting business, just a few years after it hired dozens of bankers in an attempt to rebuild its state and local government debt department.

The bank, which is ranked the 20th biggest underwriter so far this year, will shift away from negotiated muni bond sales and is expected to reorganize its public finance group, according to a memo seen by Bloomberg News on Tuesday. The move is expected to result in staff cuts, according to a person familiar with the situation who asked not to be identified because the matter isn’t public.

“We will shift our business away from the solicitation of negotiated new issues and instead pursue alternative solutions to access the new issue market, and we will reposition our resources to focus on where we see increasing client and advisor demand,” according to the memo authored by UBS Global Wealth Management executives Jason Chandler and Patrick Grob.

A spokesperson for the bank confirmed the contents of the memo and declined to comment further. The Bond Buyer earlier reported on the contents of the memo.

Negotiated deals involve a borrower hiring an investment bank in advance of a transaction, and they account for about 80% of long-term muni sales this year.

Within the UBS public finance team, there will be job reductions in connection with the change, with the size of the cuts still to be determined, the person said.

It marks a major retrenchment by UBS, which in 2017 resurrected its state and local government bond underwriting business, after first exiting the space during the 2008 financial crisis. As part of the effort, the bank went on a hiring spree and lured away dozens of bankers from competitors.

Though over the last several months, some muni employees have left the group. In April, Siebert Williams Shank & Co. announced the hiring of Edward Tishelman, UBS’s former head of issuance strategies and municipal sales. Tim Sullivan, a managing director, departed this summer.

Lower Issuance

This has been a tough year for public finance bankers, with municipal-bond debt sales down 8%, according to data compiled by Bloomberg. UBS’s ranking among underwriters has fallen four spots so far this year. Complicating matters was UBS’s designation by Texas as one of several financial firms that “boycott” the fossil fuel industry — effectively ending its ability to underwrite debt in one of the most lucrative markets in the country. UBS disagreed with that decision, with a company

spokesperson noting at the time that the firm doesn't boycott against energy companies.

Municipal bonds issued through competitive auctions account for a much smaller slice of total sales, with just over \$50 billion of debt sold so far in 2023. Doug Vissicchio will continue to lead the bank's municipal trading business, which includes competitive underwriting, the memo said.

The memo noted that municipals are a core asset class for the bank's wealthy clients. "We remain focused on providing competitive solutions and products and, aligned with rising interest rates and increased client interest, have expanded our municipal trading and sales teams," the memo said. "This contributed to a more than 100% increase in trading volumes last year, with continued growth in 2023."

Bloomberg Markets

By Amanda Albright

October 10, 2023

[Uhlmann Confirms EPA Will Not Pursue PFAS Enforcement Actions against Farmers, Public Airports, and Municipal Wastewater Facilities: Bergeson & Campbell](#)

The American Bar Association (ABA) Section of Environment, Energy, and Resources (SEER) is holding its 31st fall conference October 11-13, 2023, in Washington, D.C. On October 12, 2023, in his remarks at the conference, David Uhlmann, Assistant Administrator for the U.S. Environmental Protection Agency's (EPA) Office of Enforcement and Compliance Assurance (OECA), stated that EPA will not pursue per- and polyfluoroalkyl substances (PFAS) enforcement actions against farmers who used biosolids, public airports that used aqueous film forming foam (AFFF) for fire suppression, or municipal wastewater facilities so long as they were acting in good faith. Bergeson & Campbell, P.C. (B&C®) is a proud sponsor of the SEER conference.

Background

On September 6, 2022, EPA proposed to designate perfluorooctanoic acid (PFOA) and perfluorooctanesulfonic acid (PFOS), including their salts and structural isomers, as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). 87 Fed. Reg. 54415. More information on the proposed rule is available in our August 29, 2022, memorandum. As reported in our April 13, 2023, memorandum, EPA published an advance notice of proposed rulemaking on April 13, 2023, seeking information to assist in the consideration of potential development of future regulations pertaining to PFAS under CERCLA. 88 Fed. Reg. 22399.

On March 14, 2023, EPA held a public listening session to receive individual input related to concerns about potential liability under CERCLA. EPA stated that it would review and consider the input received in drafting a PFAS enforcement discretion and settlement policy to the extent that PFAS cleanup enforcement efforts occur under CERCLA. As reported in our March 17, 2023, memorandum, EPA stated that it intends to focus on manufacturers, federal facilities, and other industrial parties whose actions result in the release of significant amounts of PFAS. EPA does not intend to pursue CERCLA enforcement for PFAS contamination against the following parties:

- Water utilities and publicly owned treatment works (POTW);
- Publicly owned and/or operated municipal solid waste landfills;
- Farms that apply biosolids; and
- Certain airports and fire departments (state, Tribal, or municipal airports and Tribal or local fire departments).

Bergeson & Campbell PC - Lynn L. Bergeson and Carla N. Hutton

October 13 2023

[EPA Issues Clean Water Act Permits Requiring Climate Change Adaptation.](#)

As September ended, the U.S. Environmental Protection Agency (EPA)'s Region 1 office took a series of actions signaling the agency's intention to impose climate change adaptation requirements in National Pollutant Discharge Elimination System (NPDES) permits. In three permits issued to Massachusetts municipalities, the agency imposed obligations to develop adaptation plans aimed to mitigate risks to wastewater treatment plants and sewers resulting from larger storm events and more severe flooding. Region 1 also issued a guidance document to assist permittees with developing the adaptation plans required by NPDES permits. These adaptation planning requirements will likely appear in more EPA-issued permits and, ultimately, permits in authorized states issued to publicly owned treatment works (POTWs).

[Continue reading.](#)

Beveridge & Diamond PC - Andrew C. Sifton and Lia Crutchfield

October 5 2023

[U.S. Charter Schools Rating Actions, Third-Quarter 2023.](#)

[View the Rating Actions.](#)

13 Oct, 2023

[Fitch CDFI Peer Review \(Five-Year History\)](#)

Overview Fitch Ratings' inaugural Community Development Financial Institution (CDFI) Peer Review summarizes the results of its first annual study of comparative financial information and ratios for a group of 24 CDFI loan funds (for a full list of the CDFIs that participated in the report, see page 7). This report covers financial information for fiscal year (FY) 2022 and the previous four fiscal years. The financial information included in this report was compiled based on Fitch's review of CDFI audited financial statements. The CDFIs that are the focus of this Peer Review are primarily non-profit, non-depository lending institutions (known as CDFI loan funds). According to a report by the Federal Reserve Bank of New York, as of August 2023, there were 582 CDFI loan funds, representing 39% of the 1,487 certified CDFIs in the United States. As of Q1 2023, CDFI loan funds

held \$34.5 billion, or 8% of all CDFI assets. CDFI loan funds play a vital role in serving low-income, low-wealth communities by providing capital to individuals, businesses, and organizations that historically have not had access to mainstream sources of credit. CDFI loan funds provide financing, often in the form of low-interest rate loans, and technical assistance to individuals, small businesses, microenterprises, affordable housing developers, and community service organizations.

[ACCESS REPORT](#)

Wed 11 Oct, 2023

[Fitch Inaugural Peer Review Highlights Solid Financial Profiles of U.S. CDFIs.](#)

Fitch Ratings-San Francisco/New York/Chicago-11 October 2023: The end of federal stimulus, dwindling private funding sources and a looming recession will spell some bumps for U.S. community development financial institutions (CDFIs), though Fitch Ratings' inaugural peer review for the sector says CDFIs are well-prepared for the coming headwinds.

Fitch economists are calling for a mild recession in the first half of 2024. As a result, CDFI loan performance may deteriorate from current levels, though loan losses are expected to remain manageable. Nonetheless, CDFIs are well-positioned to face current headwinds, according to Senior Director Karen Fitzgerald.

"Delinquency and loss rates have stayed relatively low over the past five years despite pandemic-related stress while CDFI balance sheets have grown substantially, averaging nearly 7% annually," said Fitzgerald. "Debt levels are also up over the last five years, albeit at a more moderate clip, due largely to more readily available public and private sources of funding from pandemic-related aid and relief programs."

However, with U.S. federal aid coming to a close and private funding also drying up to some extent, CDFIs will increasingly turn to bond markets to raise capital. This will likely increase CDFIs' cost of funds, though their funding mix should still allow them to offer credit at rates consistent with their mission while maintaining a sufficient equity cushion.

Fitch's inaugural 'Community Development Financial Institutions (CDFI) Peer Review' is available at 'www.fitchratings.com'.

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Additional information is available on www.fitchratings.com

[CDFIs: An Under-Represented Stakeholder In the Public Finance Ecosystem?](#)

Community development financial institutions (CDFIs) are vital investors in cities across America, but could they have a greater impact if they better pulled in dollars from public finance sources?

As long-standing lenders with a mission, CDFIs specialize in providing loans to individuals, organizations, and businesses in under-resourced or disadvantaged rural and urban communities often underserved by mainstream banks. They also provide other forms of fair, responsible financing that further economic potential. CDFIs can also function as [trusted intermediaries](#) that invest in a wide range of important sectors like housing, infrastructure, small businesses, and others.

CDFIs traditionally rely upon a myriad of funding sources, such as the U.S. Treasury CDFI Fund, the Community Reinvestment Act, grants from private foundations, funding from corporations, and many other private and philanthropic sources, to capitalize their operations and fund their lending and financing activities.

[Continue reading.](#)

The Kresge Foundation

by Aaron Seybert & Lourdes Germán

October 12, 2023

[How the Quantum Computer Revolution Could Impact Municipal Bonds.](#)

Tom Kozlik, Head of Public Policy & Municipal Strategy at Hilltop Securities, says he is even more bullish on munis after several consecutive weeks of investment flows out of municipal funds. He shares his optimistic outlook, weighs in on the potential impact of a government shutdown, and explains why he doesn't think Silicon Valley is at risk of becoming the next rust belt.

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advisorhub.com

by Tom Kozlik, Hilltop Securities

October 12, 2023

[Muni Funds That Use Borrowed Money Take a Big Hit.](#)

Closed-end municipal-bond funds are suffering from rising interest rates

Some municipal-bond funds are suffering their worst stretch since the 2008-09 financial crisis, an acute example of how two years of rising interest rates have slammed investors' portfolios.

Closed-end municipal-bond funds have been particularly hard-hit because they often use borrowed

money to invest in fixed-rate, long-term bonds sold by state and local governments. The leverage helps boost the returns from debt that is ultrasafe, but pays relatively little interest.

That worked for much of the past decade until rates started rising. Now, short-term borrowing is becoming more expensive while the market value of older, lower-yielding bonds in the mutual funds is falling.

[Continue reading.](#)

The Wall Street Journal

By Heather Gillers

Oct. 11, 2023

[S&P Sustainability Insights: Managing Renewables Risk Is Increasingly Integral To U.S. Power Utilities Credit Quality](#)

Key Takeaways

- Investments in renewable power sources are supporting energy transition in the U.S. power sector.
- Renewables typically have negligible variable costs, but the required technologies as well as transmission and storage needs, among other factors, could boost capital costs and weaken a utility's financial metrics in the long term.
- Intermittent power production and a changing regulatory landscape could create operational risks that may require adaptation by U.S. power utilities to stabilize credit quality amid the sector's evolution toward renewable generation sources.

[Continue reading.](#)

9 Oct, 2023

[States Wrestle With AI-Driven Future.](#)

While artificial intelligence and generative AI offer exciting applications for government, state IT leaders remain concerned about the technology, its ethical uses and potential impacts.

Two states, on two sides of the country, illustrate some of the uncertainty that state IT leaders feel over the role of artificial intelligence, machine learning and generative AI in government operations.

California Gov. Gavin Newsom called for the state to preserve its role as a "global hub" for generative AI and a leader in "shaping the future of ethical, transparent and trustworthy AI." A [recent executive order](#) on the technology, requires agencies to draft a report by early November on potential use cases, risks and policies to guide the state government's use of generative AI.

Meanwhile, Maine in June instituted a [six-month moratorium](#) on its state government's use of the technology, saying the pause—that could be extended—is necessary to help keep the state ahead of a

“rapidly evolving cyber threat landscape.”

[Continue reading.](#)

ROUTE FIFTY

By CHRIS TEALE

OCTOBER 13, 2023

[SCOTUS Agrees to Hear Case Concerning the Scope of Constitutional Challenges to Land Use Permit Conditions: Salber](#)

Saiber Real Estate & Land Use Alert

The Supreme Court of the United States has agreed to hear *Sheetz v. County of El Dorado, California*, a case that concerns whether land use permit conditions in the form of monetary exactions created by legislation are completely exempt from constitutional review.

As we summarized in a [prior alert](#), the matter involves a property whose owner applied for a building permit to construct a single-family residence. The County of El Dorado agreed to issue the permit with one important condition: the property owner had to pay a \$23,420 traffic impact mitigation fee. The County had authorized the traffic impact mitigation fee as part of a general road improvement program intended to offset the impact of new development on the surrounding road infrastructure. The property owner challenged the impact fee as unconstitutional in California state court and ultimately lost, with the California Supreme Court declining to consider the property owner’s appeal. The Supreme Court recently agreed to hear the case.

The Court’s decision has the potential to significantly impact local governments and development, by either green-lighting monetary exactions that are exempt from constitutional review, eliminating or curtailing them by making them subject to the constitutional takings analysis; or by some alternate holding that attempts to balance the competing interests at hand.

To be clear, all development has an impact on the surrounding environment, whether it is a single-family home or a large industrial complex. The reality of municipal budgeting is that local governments have limited methods to offset those impacts and keep up with the demand on infrastructure and government services caused by development. In Mr. Sheetz’s case, the fee concerned road improvements. However, local governments also struggle to account for the increased demand on stormwater management and flood prevention systems, sanitary sewer capacity, and public transportation, among other things - all of which affect communities in significant ways. But the government’s efforts to offset development impacts must at all times comply with property owners’ constitutional rights.

Oral argument in the case is not scheduled yet but will likely occur after the Court’s November sitting.

Saiber LLC - Justin R. Calta and Nino A. Coviello

October 9 2023

[US Public Pension Funds Caught In the Crossfire of the War On “Woke” Investing.](#)

Data reveals that Republican state pension funds are more likely to be influenced by rhetoric in support of anti-ESG laws, despite historically showing relatively strong support for climate policies.

In the US, whether or not financial institutions should be able to invest in line with environmental or social factors has become a key issue for Republican politicians. Typically, Republican anti-ESG [environmental, social and governance] laws have been directed at state agencies, either banning them from doing business with financial institutions blacklisted for “boycotting” certain investments like fossil fuels or firearms, or prohibiting state or pension funds from making ESG investments.

By January 2023, almost 50% of US states either have some type of anti-ESG law in place or have placed blacklisting ESG action high on their legislative agendas.

These laws directly affect public pension funds, in terms of how they invest and how they vote on shareholder resolutions. By early 2023, legislators in more than 20 states had introduced bills amending the fiduciary duty laws covering investing and proxy voting for state retirement systems, prohibiting pension plans from taking non-financial considerations into account when voting at shareholder meetings.

[Continue reading.](#)

Energy Monitor

by Polly Bindman

October 16, 2023

["Leveraging Municipal Bonds For Green Energy Finance" - Dykema](#)

Ann Fillingham authored the Law360 Expert Analysis article, “[Leveraging Municipal Bonds For Green Energy Finance.](#)” In the article, Fillingham points out that as the nation takes on its infrastructure challenges — including on the energy side — leveraging all available capital resources will be critical.

by Ann Fillingham

10.12.23

2023 Dykema Gossett PLLC

[Low Price Points Move ETF Fund Flows.](#)

Eric Kazatsky and Karen Altamirano look under the hood of muni ETFs.

[Watch video.](#)

Bloomberg Markets

October 13th, 2023

Muni Sales Poised for Rebound: Baird's Fitterer

Lyle Fitterer, co-lead for the municipal sector and senior portfolio manager at Baird Advisors, says he expects money to flow back into munis. He speaks with Katie Greifeld and Romaine Bostick on "Bloomberg Markets: The Close."

[Watch video.](#)

Bloomberg Markets: The Close

October 11th, 2023, 1:23 PM PDT

Municipal Bond ETFs: What Investors Need to Know

In this episode of ETF Spotlight, I speak with Michael Cohick, Director of ETF Product, and Tamara Lowin, Senior Municipal Credit Analyst at VanEck, about municipal bond investing.

Bonds have regained favor among investors, primarily due to yields not witnessed since the financial crisis. Fixed income ETFs have attracted significant inflows this year as bonds are now considered a viable alternative to stocks.

Municipal bonds, issued by state and local governments, serve to finance a wide array of capital projects, including schools, roads, bridges, and public transportation systems.

[Continue reading.](#)

nasdaq.com

Written by Neena Mishra for Zacks

October 16, 2023

Why You MUST Consider Muni Bond ETFs.

Muni bond ETFs gathered \$6.3 billion in the first nine months of 2023. However, a healthy \$1.4 billion flowed in during September alone. According to Columbia Threadneedle, there is good reason to focus on the asset category.

"We're getting closer to the end of the Fed tightening cycle," explained Catherine Stienstra, head of municipal investments at Columbia Threadneedle, in an exclusive interview at VettaFi's NY office.

“Historically, the municipal market outperforms when rates are stable or are heading lower.

Muni Bond Default Rates Are Low

Stienstra added that municipal bond yields are attractive on a tax-equivalent basis and the default rates are lower than corporate bond equivalents. Indeed, according to Moody’s Investment Service, speculative-grade municipal bonds have had a 6.8% default rate in the last 32 years, significantly lower than the 30% rate for similarly rated global corporate bonds. Meanwhile, investment-grade municipal bonds had a miniscule 0.1% default rate, far less than the 2.2.% for corporate bonds equivalents.

Stienstra has 35 years of investment experience and is a portfolio manager for the actively managed Columbia Strategic Municipal Income mutual fund as well as the index-based Columbia Multi-Sector Municipal Income ETF (MUST).

[Continue reading.](#)

ETFTRENDS.COM

by TODD ROSENBLUTH

OCTOBER 16, 2023

[Shutdown Delayed: What Comes Next for State and Local Budgets?](#)

While Congress has temporarily averted a government closure, the next 45 days provide uncertainty and opportunity to prepare for future fiscal turmoil.

In Brief:

- Programs that serve some of the most vulnerable parts of the population will be the most affected.
- States and local governments will have to decide how to allocate existing funds to shore up their budgets in the event of a future shutdown.
- The next 45 days can provide state and local governments with the time necessary to lay out contingency plans to lessen financial burdens in the event of a shutdown.

Despite comments from Democratic Senate Majority Leader Chuck Schumer, stating that, “The American people can breathe a sigh of relief: There will be no government shutdown,” the reality is that the problem hasn’t been stopped so much as it has been deferred.

In the hours before the end of the current fiscal year, Congress came together for a bill that serves as a stopgap measure to hold off the potential of a government shutdown. While H.R. 5860 provides fiscal appropriations to federal agencies, it only extends funding until Nov. 17, leaving its fate up in the air as Congress returns to negotiations.

For states and localities, the primary threat of a potential shutdown lies in the way it would dry up federal funds necessary for some key aspects of day-to-day operations and essential programs. A primary concern is the way that a shutdown moves the burden of funding onto the states and cities themselves, exerting pressure on already tight budgets.

[Continue reading.](#)

governing.com

by Zina Hutton

Oct. 5, 2023

[The Threat of Another Government Shutdown Looms.](#)

National, state and local government associations have warned their members that “fractious issues” could derail any efforts to meet a November deadline, affecting key housing and transportation funding.

Congress may have been able to avert a government shutdown Saturday night that would have caused problems for state and local governments around the country. But many in Washington are skeptical that the House and Senate will be able to reach agreement on 12 federal funding bills—including a key one on funding for transportation and housing—in a little over a month to keep the nation from facing yet another shutdown.

The chances of reaching an agreement before the Nov. 17 deadline set in the continuing resolution that Congress passed this weekend is “low,” the National League of Cities said in a federal update to its members. “Fractious issues remain,” the update said, as House Republicans seek to reduce spending in an array of programs including funding for states and localities to build more affordable housing and for transit construction projects.

And that update was given before House Republicans voted Tuesday to oust House Speaker Kevin McCarthy.

[Continue reading.](#)

Route Fifty

By Kery Murakami,
Senior Reporter

OCT 4, 2023

[Climate Change Is a Fiscal Disaster for Local Governments.](#)

A new study of Florida’s fiscal vulnerability to climate change finds that flooding directly threatens many local tax bases.

Climate change is affecting communities nationwide, but Florida often seems like ground zero. In September 2022, Hurricane Ian devastated southwest Florida, killing at least 156 people and causing an estimated US\$113 billion in damages. Then Hurricane Idalia shut down the Florida Panhandle in September 2023, augmented by a blue supermoon that also increased tidal flooding in southeast Florida.

Communities can adapt to some of these effects, or at least buy time, by taking steps such as

upgrading stormwater systems and raising roads and sidewalks. But climate disasters and sea-level rise also harm local governments financially by increasing costs and undercutting their property tax bases. Local reliance on property taxes also can discourage cities from steering development out of flood zones, which is essential for reducing long-term risks.

In a [newly published study](#) and supporting [online StoryMap](#), we present the first-ever municipal fiscal impact assessment of sea-level rise in Florida and combine it with a statewide survey of coastal planners and managers. We wanted to know how sea-level rise would affect municipal tax revenues and whether coastal planners and managers are accounting for these fiscal impacts.

[Continue reading.](#)

Route Fifty

By Linda Shi, Tisha Joseph Holmes and William Butler

OCTOBER 5, 2023

[Data Map Reveals Local Drivers of Climate Risks.](#)

The climate vulnerability index shows the intersection of increasing climate risks and long-term health, social, environmental and economic conditions so state and local officials can target the most effective solutions for their communities.

No community is safe from climate change's effects. And understanding the impacts and drivers of those complex changes can be challenging for state and local governments with limited resources and staff. Without data on how climate change impacts their communities, it can be difficult for policymakers to implement effective solutions. To help ease the process, researchers developed a new web-based tool that provides hard data on local climate risks to help inform policy or funding decisions aimed at increasing climate resilience.

Developed by Texas A&M University, the Environmental Defense Fund and Darkhorse Analytics, the [climate vulnerability index](#) maps details from 184 datasets across 70,000 census tracts. It displays a range of community vulnerability data, such as health, socioeconomic, environment and infrastructure conditions and identifies existing burdens like limited access to health care or unfair housing practices that affect a community's climate resilience. The map also features data on climate change impacts, such as the number of heat-related deaths or the frequency and severity of wildfires in an area.

With the site's combined community vulnerability and climate risk data, state and local officials can better grasp the specific drivers of local climate vulnerability, said tool co-developer Weihsueh Chiu, a professor at the Texas A&M School of Veterinary Medicine and Biomedical Sciences.

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Route Fifty

By Kaitlyn Levinson,
Assistant Editor, Route Fifty

OCTOBER 4, 2023

[S&P: U.S. Public Finance Issuers Face Challenges In An Evolving Cyber Insurance Market](#)

Key Takeaways

- Insurance is an important part of an organization's cyber risk management, and USPF issuers need to adapt to changing requirements and costs, or they may be unable to acquire insurance
- Premiums are rising rapidly while inflation is pressuring budgets
- Increasingly more USPF entities will consider cyber insurance to complement wider cyber risk management strategies
- However, insurance is only one element of cyber risk management and issuers will never be able to remove cyber risks entirely, nor, will insurance replace good security practices
- We view cyber insurance or similar dedicated resources to mitigate financial losses from a cyber attack as a demonstration of cyber preparedness

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

3 Oct, 2023

[S&P: U.S. Social Housing Providers Have The Foundation To Insulate Against New Post-Pandemic Risks](#)

Key Takeaways

- Despite fewer supply-chain issues and labor shortages, inflationary operating costs will persist, although HUD grant funding could partially mitigate them.
- We expect SHP's portfolio growth will accelerate as development pipelines recover and pursue property acquisitions.
- An increase in bad weather events has led to rapidly rising insurance premiums, with management addressing deferred maintenance and assessing policies and claims to offset costs.
- Amid downside risks, we expect our SHP ratings will remain stable, with most issuers maintaining a strong enterprise risk profile and solid liquidity position thanks to strategic competence and operational effectiveness.

[Continue reading.](#)

4 Oct, 2023

[Bank of America Forecasts \\$400 Billion of Muni Sales in 2024.](#)

- **The bank had pared back its outlook for 2023 amid high rates**
- **State, local governments on track to sell \$350 billion in 2023**

Bank of America Corp., the largest underwriter of state and local bonds, is forecasting \$400 billion of the debt will be sold next year, up slightly from this year.

The forecast, which strategists led by Yingchen Li and Ian Rogow included in a report on Friday, would represent at least the second year of optimism from the bank about annual municipal bond issuance. Around this time last year, the strategists expected muni bond sales for 2023 to reach a new record.

Instead, states and cities have sold about \$273 billion of debt in 2023, down 8% from the same period last year, according to data compiled by Bloomberg. Sales of the securities have fallen short of many banks' forecasts, as higher interest rates and strong tax receipts spur governments to delay borrowing.

If the current pace of issuance continues - with about \$30 billion of long-term munis sold each month on average — that would put sales at around \$350 billion for the full year. That kind of a sales level would represent the second straight year of declining issuance, according to data compiled by Bloomberg.

In October 2022, Bank of America forecast muni sales for this year of \$500 billion. By spring of 2023, it cut that figure to \$400 billion. On Friday, the strategists said their prior forecasts were affected by the Federal Reserve's unexpectedly continuing to hike interest rates this year.

"The market environment and yield levels have always been important variables when we make our issuance forecast," the strategists said in the report on Friday. "Had our muni rates forecast worked out, our issuance forecast would have as well."

In 2024, the strategists expect around \$300 billion of bond sales for new projects, representing about a 4.5% increase, which is a lower growth rate compared to years before 2022. They said that reflects high interest rates during the first half of 2024 and low GDP growth next year.

The strategists also forecast \$100 billion of bond sales to refund higher interest-rate debt in 2024. They noted that refinancing volume will be impacted by the Fed, such as when the central bank starts cutting interest rates and by how much.

"A shift from tightening to easing in 2024 should induce a pretty good muni market rally that would extend throughout the year," they said in the report. "However, the strength, magnitude and timing of the rally will be very important for refundings."

Bloomberg Markets

By Amanda Albright

October 6, 2023

[Why Muni Bond Trading Volume Is Skyrocketing.](#)

Stephanie Larosiliere, Invesco's head of municipal business strategies, says the fundamentals in the municipal bond market are strong despite the looming threat of a federal government shutdown. She speaks with Katie Greifeld and Romaine Bostick on "Bloomberg Markets: The Close."

[Watch video.](#)

Bloomberg Markets: The Close - Muni Moment

October 4th, 2023

[AllianceBernstein: How Muni Impact Investors Can Help Issuers Ace Their ESG Tests](#)

The degree of success of muni bonds that lift communities often stems from showing issuers how they'll be graded.

There's no substitute for studying hard. But when the subject is expansive, it also helps to know what you'll be graded on. Issuers of municipal bonds intended to help their communities are often at this crossroad: raising their hands to lend support but less certain on which approach to take, given the many possibilities.

Engagement Helps Set a Course for Impact

Proceeds from such muni bonds are typically used for specific purposes, helping move the needle on community-based social and environmental initiatives. The bonds should have clearly stated goals, like replacing lead water pipes, broadening mental healthcare access or funding school breakfast programs.

Determining the muni bond's focus is only half the work, however, since investors also expect results. And not all such bonds work as advertised. The more transparent issuers fill out their report cards, using key performance indicators (KPIs) to help track progress and measure actual impact.

[Continue reading.](#)

PUBLISHED 10-06-23

SUBMITTED BY ALLIANCEBERNSTEIN

[Where Do Bonds Go After the September Jobs Report?](#)

Meghan Swiber, Bank of America securities senior US rates strategist, and RJ Gallo, Federated Hermes head of municipal bond investment group, talk about how the bond market may react to the September jobs report that showed the US economy added 336,000 jobs. They speak on "Bloomberg Real Yield."

[Watch video.](#)

Bloomberg Real Yield TV Shows

October 6th, 2023

[Income-Driven Returns: The Resilience of Municipal Bonds](#)

Historically, investors have purchased bonds for their steady coupon payments. This relationship was thrown on its head as the Fed cut rates in the wake of the Great Crisis. Price appreciation as rates fell became the name of the game. That is, until last year when the broader bond market fell.

However, according to investment manager Thornburg, that may not be such a bad thing for the municipal bond market.

Thanks to a variety of factors, price appreciation in the muni bond market may be hard to come by. But with such ample tax-equivalent yields, that might not be an issue for investors. Income will drive the bus and that will still lead to great returns.

[Continue reading.](#)

dividend.com

by Aaron Levitt

Oct 04, 2023

[The Week in Muniland: Alliance Bernstein](#)

[View the report.](#)

October 9, 2023

[Should You Tap Pricey Muni Bond ETFs Now?](#)

Tax-exempt municipal bonds serve not only as an investment option but also as a significant contributor to public projects like roads, schools, and hospitals. These debt instruments are issued by local or state governments, attracting investors due to their tax-advantaged income.

Usually, the interest income from munis is exempt from federal tax and may also not be taxable per state laws, making these especially attractive for investors in the high tax bracket looking to reduce their tax liability.

This is totally different from interest on Treasury and corporate bonds that are taxed as regular income. Apart from investors' desire for a tax-shelter, improving fiscal health of many municipal bond issuers make a rewarding combination.

[Continue reading.](#)

nasdaq.com

Written by Sanghamitra Saha

October 04, 2023

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

[View the Current List.](#)

22 Sep, 2023

[S&P U.S. Highway User Tax Bond Report Card: Strong Coverage Drives Rating Resiliency](#)

Key Takeaways

- S&P Global Ratings expects that U.S. highway user tax credit quality will remain stable as a result of strong debt service coverage (DSC), active management by states in raising tax rates and fees when necessary, and a mix of pledged stable revenue sources beyond fuel taxes, such as license and registration fees.
- We also expect that pledged revenues for state highway user tax revenue bonds will recognize shifts in revenue composition over the long term as drivers continue transitioning to more fuel-efficient vehicles and electric vehicles (EVs), and that overall, the sector will remain resilient in the face of this modernization.
- Our analysis of the most recent net pledged revenue data indicates relatively strong growth over the last three years, and only positive rating changes have taken place since January 2022, driven by linkage to state general creditworthiness.

[Continue reading.](#)

28 Sep, 2023

[S&P U.S. Transportation Infrastructure Transit Update: End Of The Line Nears For Federal Assistance As Low Ridership Pressures Operators](#)

Key Takeaways

- Our sector view for mass transit remains negative as many large agencies struggle to balance operating funds, given depressed passenger fare revenue, and pandemic-related federal assistance runs out beginning in 2024.
- A few transit agencies have received a combination of temporary relief and longer-term tax support amid an ongoing policy debate at the state, regional, and local levels regarding how to support operating and capital requirements with sustainable tax and revenue models.
- Year-to-date rating actions have been positive for some mass transit operators that benefit from significant tax support and are relatively less reliant on fare revenues. Specifically, sales taxes have experienced strong growth in recent years that we expect will provide ongoing financial flexibility.

- S&P Global Ratings believes the credit quality of transit operators with a historical reliance on fare revenue will depend on their long-term ability to enhance existing recurring revenue sources or establish new recurring ones, and adjust operating expenses and capital spending as needed to achieve a sustainable fiscal balance.

[Continue reading.](#)

28 Sep, 2023

[In Unique Approach, One County Utilizes a P3 to Build Public Schools.](#)

Instead of it taking six years to build six schools, it took three. The first-of-its-kind project saved Prince George’s County, Maryland, millions of dollars—and includes 30 years of maintenance.

A suburban Maryland school district, faced with the staggering prospect of dealing with a \$8.5 billion backlog in building repairs and upgrades just a few years ago, celebrated the opening of six brand new middle schools this fall. The brightly lit, environmentally friendly buildings feature amenities like 3-D printers, performance spaces and ventilation systems that can screen out viruses. Even better, the schools come with a built-in maintenance plan for the next 30 years.

The program by the Prince George’s County Public Schools used a financing tool that’s more common for infrastructure projects like toll roads: a public-private partnership. By turning to the private sector, the school district was able to deliver the new schools in less than three years. Construction lasted only two years.

“It usually takes us six to seven years per school from design to construction completion,” said Jason Washington, an associate superintendent who oversaw the project for the school system. But existing buildings were up to 80 years old and falling apart, and the district was running out of space for middle school students. “We had to find a way to do it faster.”

[Continue reading.](#)

ROUTE FIFTY

by DANIEL C. VOCK

SEPTEMBER 28, 2023

[GFOA: Rethinking Revenue Diversification, Warren Buffet Style](#)

Billionaire Warren Buffett is famous for his blunt commentary on everything from tax policy to baseball to ukulele playing. And of course, his advice on investing has moved markets and made personal fortunes. According to some recent research, his ideas on picking stocks might also be good advice for managing local government revenues.

Local government revenue structures are front and center these days. For this we can thank GFOA’s pathbreaking “Rethinking Revenue” initiative. Rethinking Revenue is a deep dive into big

questions—what local governments tax, why they tax it, and how they can build better tax structures for the future.

[DOWNLOAD](#)

Publication date: August 2023

Author: Justin Marlowe

[**Your Speeding Ticket is Paying for City Budgets. Scholars of Public Finance Reveal 'Policing for Profit' and How to Fix It.**](#)

When city governments spend more money than they take in, officials often search for ways to generate revenue. One increasingly [common source](#) of money is traffic tickets. And research shows police officers [issue more traffic tickets when cities are financially in a deficit](#).

But police represent only one aspect of this revenue-generating system. Judges and their courts also use traffic citations to generate money for the cities that employ them.

As scholars of public finance, we study how cities raise money to pay for their operations. Our [new research](#) indicates that judges in cities facing red ink often use their positions to maximize revenue from traffic tickets. They can do this by adding financial penalties to unpaid tickets. Judges often use the extra penalties to encourage people to pay.

[Continue reading.](#)

FORTUNE

by BYSIAN MUGHAN, AKHEIL SINGLA AND THE CONVERSATION

September 25, 2023

[**All of Schwab's Bond ETFs Now Cost Just Three Basis Points.**](#)

- **Average fee across 633 US-listed bond ETFs is 34 basis points**
- **Small fee cuts can fuel millions of dollars worth of inflows**

Schwab Asset Management is making an aggressive attempt to offer some of the cheapest bond exchange-traded funds on the market.

The asset manager announced Monday that will cut fees on the \$50 million Schwab High Yield Bond ETF (ticker SCYB) and the \$11.6 billion Schwab U.S. TIPS ETF (SCHP) to just three basis points, bringing all nine of its fixed-income funds below that threshold, according to a press release Monday. The average expense ratio among the 633 US-listed bond ETFs is about 35 basis points, Bloomberg data show.

Schwab's move is the latest in a series of tiny fee cuts as issuers fight for space the increasingly saturated \$7.2 trillion ETF industry. Schwab has been among the most active, joining the likes of

BlackRock Inc., Vanguard Group Inc. and State Street Global Advisors, in trimming expense ratios by just a couple of basis points over the past few years.

[Continue reading.](#)

Bloomberg Markets

By Katherine Greifeld

September 25, 2023

Muni Rates Selloff Impacting More Than Returns.

Eric Kazatsky and Karen Altamirano look at various aspects of the municipal market impacted by the continued rise in rates.

[Continue reading.](#)

Bloomberg Markets

September 27th, 2023

There Are High Absolute Yields in Muni Market: Barber

Ben Barber, Franklin Templeton fixed income director of municipal bonds, says there are high absolute yields in today's muni market. He's on "Bloomberg Markets: The Close."

[Watch video.](#)

Bloomberg Markets - Muni MomentTV Shows

September 27th, 2023

Muni Bonds Are Heading for Worst Month Since September Last Year.

- **10-year muni yields rose nearly 50 bps since Fed's meeting**
- **Higher yields could lure investors to the asset class: UBS**

US state and local debt is headed for its worst month in a year, with the Federal Reserve's hawkish pause sending yields soaring and erasing gains from the first half of 2023.

Munis have slumped 3.33% so far in September, according to data compiled by Bloomberg, on track for its poorest performance since a 3.84% drop the same time last year.

Yields on 10-year munis jumped almost 50 basis points since Sept. 20, after investors sold bonds as they digested the Fed's message that it would keep borrowing costs higher for longer. Treasury

yields have also been climbing, with the benchmark 10-year rate rising to its highest level since 2007 this week.

[Continue reading.](#)

Bloomberg Markets

By Skylar Woodhouse

September 29, 2023

[States Finalize Fiscal 2024 Budgets: NASBO State Budget Blog](#)

[View the Budget Blog.](#)

[Should States and Localities Be Worried About the U.S. Downgrade?](#)

Or about the possibility of another one amid the budget showdown in Congress? Fitch Ratings' decision to knock the federal government's credit rating down a notch last month doesn't directly affect state and local credit quality. But it's a warning shot.

Welcome back to Route Fifty's Public Finance Update! I'm Liz Farmer, and lately I've been wondering why Fitch Ratings' downgrade of the federal government last month didn't generate much hand-wringing among state and local officials. It's a big contrast to 2011, when S&P Global Ratings knocked Uncle Sam down from AAA to AA+ following the Great Recession. That decision, the first-ever downgrade of the U.S. government, caused all sorts of questions about the downstream effect on states and localities.

"With the federal debt downgraded, it's hard to imagine that state and local bonds won't be far behind," an op-ed in The Fiscal Times reasoned at the time.

Fitch's downgrade in August to AA+ was partly due to how the federal government had handled the debt crisis, mirroring S&P's 2011 downgrade, which also followed a debt ceiling standoff in Congress. But the recent ratings cut didn't generate as much of a splash at the state and local level because it's now well-established that subnational credit quality is measured somewhat separately from the U.S. government's.

[Continue reading.](#)

ROUTE FIFTY

by LIZ FARMER

SEPTEMBER 20, 2023

Muni Finance and the Federal Fiscal Food Fight.

With federal deficits soaring, bond issuers may face higher financing costs. State and local cash managers shine for now, but all eyes will be on the coming congressional budget battle.

Deficit financing has caught up with Uncle Sam, as federal outlays for interest payments have surged to record levels and the nation's annual budget deficit is on track to double in this fiscal year. That's just for starters: To dampen inflation, the Federal Reserve has hiked short-term interest rates and keeps jettisoning U.S. bonds, not buying them as it had been. Meanwhile, key foreign buyers including China have recently exited the Treasury market, also driving yields a bit higher.

Those federal interest expenses appear doomed to escalate yet higher in the next year or two as older, cheaper debt rolls off the books while forthcoming budgets remain locked in deficits and ambitious prior infrastructure appropriations are spent. Beyond that, compound interest will be America's gnarlier enemy unless budget discipline is re-established on Capitol Hill. The Fitch rating service has downgraded Treasury debt, citing the partisan congressional dysfunctionality fueling this fiscal food fight.

So far, the indirect impact on the municipal bond market of these tectonic macro shifts is measured in fractions of a percentage point, so it's hardly the end of the world. In California earthquake-speak, it's a tremor, not a Big One. Meanwhile, the impact on state and local operating budgets today is arguably net-positive for most. But fiscal hawks and critics of Modern Monetary Theory are crowing that a dreary hangover of elevated and more costly interest rates seems to be here to stay — at least until the next recession, when the central bank presumably will have no choice but to once again cut rates and investors flee stocks to pile into the safety of government bonds. Bond market math is indeed a dismal science.

[Continue reading.](#)

governing.com

by Girard Miller

Sept. 19, 2023

Why Municipal Bonds Might Not Be Protected From Climate Risk Forever.

Three months ago, the redevelopment agency of Paradise, California—the town nearly wiped out by wildfires in 2018—missed payments for its municipal bonds issued in 2009. The funds were raised to develop the city's commercial neighborhood and backed by incremental tax revenue from the areas. As economic losses from the fire drained the agency's cash reserves and no new revenue came in, a default had been expected.

Debt default is uncommon for muni bonds, which are often viewed as a haven with steady, tax-exempt yields. Paradise's example, however, is ringing alarms for a looming long-term risk from climate change: with more frequent and severe natural disasters, municipalities in vulnerable areas could see their economy disrupted, their asset values fall, and their tax base shrink—along with a deteriorating credit outlook.

While corporations can move their supply chains to safer grounds, cities and towns are tethered to their specific locations. Extreme weather events like hurricanes and wildfires not only incur immediate property damage, they could also greatly disrupt economic activities if power outages, road closures, and other infrastructure damage drag on.

[Continue reading.](#)

Barron's

By Evie Liu

Sept. 24, 2023

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

[View the Current List.](#)

[Fitch U.S. Local Government Rating Model.](#)

U.S. Local Government Rating Model

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Thu 21 Sep, 2023

[Fitch U.S. Local Government Rating Model - User Guide](#)

[View the Fitch Model.](#)

Thu 21 Sep, 2023

[Fitch Proposed U.S. Public Finance Local Government Rating Criteria \(Exposure Draft Frequently Asked Questions \[FAQs\]\)](#)

[View the FAQs.](#)

Thu 21 Sep, 2023

[Fitch U.S. Local Government Rating Model - User Guide](#)

[View the Fitch User Guide.](#)

Thu 21 Sep, 2023

[Fitch Ratings Updates USPF College and University Rating Criteria.](#)

Fitch Ratings-New York/Chicago-19 September 2023: Fitch Ratings has published an updated criteria report titled 'U.S. Public Finance College and University Rating Criteria'. The report replaces the existing criteria dated Sept. 22, 2022.

Fitch made minor editorial revisions to the criteria, including enhancement to the Rating Positioning Table to provide a greater range of key rating factor combinations to assist in providing guidance to the analytical rating outcome. There have been no material changes to Fitch's underlying methodology, and no rating actions are expected as a result of the application of the updated criteria.

The criteria report is available at 'www.fitchratings.com/criteria/us-public-finance'.

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Additional information is available on www.fitchratings.com

[S&P: U.S. Housing Finance Agencies 2022 Medians: Strong Metrics, Balance Sheets Reinforce Credit Quality](#)

Key Takeaways

- Credit quality of rated U.S. housing finance agencies (HFAs) remained strong and positive rating actions on four HFAs reflect improved metrics.
- Despite expectations of balance-sheet contraction, average assets, debt, and equity, on average, all increased in fiscal 2022.
- Net income declined in 2022, as expected, but isn't an indication of long-term financial impairment.

- Prudent management of HFAs remains a cornerstone strength behind exceptional performance in 2022 and in the future.

[Continue reading.](#)

19 Sep, 2023

Fitch: Life Plan Communities Able to Manage Nursing Staff Requirements

Fitch Ratings-New York-20 September 2023: Nursing home minimum staffing standards proposed by the federal government will add to life plan community (LPC) staffing pressures but will not affect ratings, given the LPC sector's diverse service lines, which include independent living (IL) and assisted living (AL), and LPCs' ability to flex the number of skilled nursing beds in service, Fitch Ratings says. Private pay IL units, which are a key driver of financial performance and generally comprise the largest number of units at Fitch-rated LPCs, are not subject to the proposed staffing requirements.

Under the rule proposed by the Centers for Medicare and Medicaid Services (CMS), long-term care facilities that receive Medicare and Medicaid would need to have a registered nurse on site at all times, with facilities allowed two years to implement (three years in rural areas). At a minimum, facilities would also need to provide 0.55 registered nurse hours per resident per day (HPRD), or 33 minutes, and 2.45 certified nurse aide HPRD within three years after the publication of the final rule (five years in rural areas).

While a handful of states, such as California, have nursing home staffing standards close to or more stringent than the proposed federal regulations, many states' rules are below the proposed standards, including 15 states that currently have no minimum HPRD requirements. Many of Fitch's rated LPCs are four or five star skilled nursing centers as rated by CMS (five stars is the highest rating), which indicates good clinical staffing levels and a high quality of care. Quality skilled nursing care is an important marketing component for LPCs and a differentiating competitive characteristic on which LPC management teams focus.

[Continue reading.](#)

Wed 20 Sep, 2023

Fitch: More U.S. Higher Ed Consolidation, Trimming or Closures to Come

Fitch Ratings-Chicago/New York-20 September 2023: Fitch Ratings anticipates further closures, mergers, and significantly restructured operations are inevitable for some institutions in the face of continued challenges in the U.S. higher education sector. Enrollment declines and related pressures on tuition and student fee growth prospects have been a common thread in each of the negative rating actions Fitch has taken year to date.

We do not anticipate widespread closures or downgrades within our rated portfolio, however. While over half of our below-investment-grade ratings carry a Negative Outlook, our overall portfolio heads into fiscal 2024 from a position of relative strength in terms of liquidity and leverage. Credit

implications will continue to be informed by an institution's ability to correct structural deficits, the level of financial flexibility through this period of sector contraction, or the ability to find an effective partner. Colleges will need to proactively make decisions on what programs, departments, capital plans, and assets they believe best fit their organizational and strategic goals.

[Continue reading.](#)

Wed 20 Sep, 2023

[\\$7.5 Billion Financing for Water Infrastructure Projects Announced.](#)

WASHINGTON — Today, the U.S. Environmental Protection Agency (EPA) announced \$7.5 billion in available Water Infrastructure Finance and Innovation Act (WIFIA) funding. This innovative low-interest loan program helps communities invest in drinking water, wastewater, and stormwater infrastructure while saving millions of dollars and creating good-paying local jobs. To date, EPA's WIFIA program has announced \$19 billion to help finance 109 projects across the country. These projects are creating over 60,000 jobs. Today's announcement furthers the Biden-Harris Administration's commitment to ensuring all people and all communities have access to clean and safe water.

"When we invest in water, we support healthy people, economic opportunity, environmental protection, and good-paying local jobs," said EPA Administrator Michael S. Regan. "This new funding from the WIFIA program - coupled with President Biden's historic \$50 billion investment in water through the Bipartisan Infrastructure Law - bolsters EPA's efforts to ensure communities across the country have solid water infrastructure and reliable access to safe and clean water."

This announcement initiates EPA's 7th round of WIFIA financing with \$6.5 billion available through the WIFIA program and \$1 billion available through the State WIFIA (SWIFIA) program, which provides loans exclusively for State infrastructure financing authority borrowers. EPA is currently accepting letters of interest for both WIFIA and SWIFIA loans. Prospective borrowers can also receive technical assistance to develop a funding request that meets the WIFIA program's requirements. This assistance will help small and disadvantaged communities benefit from WIFIA funding.

[Continue reading.](#)

September 21, 2023

[U.S. States Jump Start Electric Vehicle Charging Infrastructure.](#)

Key Takeaways

- To accelerate the development of the electric vehicle (EV) industry and encourage consumer adoption, the Bipartisan Infrastructure Law provides \$7.5 billion for U.S. state EV charging infrastructure. However, we view this as merely a down payment for potential future needs.
- S&P Global Ratings believes states are uniquely positioned to help steer the EV transition despite the complex issues involved.

- As consumer EV adoption increases, states will also need to supplement and replace motor fuel tax revenue that funds highway and bridge maintenance. However, we expect motor fuel tax revenue bonds will remain resilient in the face of this modernization.

[Continue reading.](#)

21 Sep, 2023

The Digital Transformation of Small Utilities.

Improving Performance of the Long Tail of the Water Industry

According to the U.S. Environmental Protection Agency (EPA), there are more than 50,000 drinking water and wastewater utilities in operation in the United States serving a population of less than 10,000. These utilities face the same challenges of their larger counterparts and more, including lack of financial resources, economies of scale, and long-term planning; management limitations; aging infrastructure and workforce; ineffective treatment technologies for modern day pollutants (e.g., PFAS); partial digital transformation; difficulty keeping up with current and future regulations; achieving service levels; and meeting customer expectations.

One challenge of specific interest is “partial digital transformation,” because completing such a transformation could help overcome several other challenges. Unfortunately, according to Eric Bindler, senior research director at Bluefield Research overseeing its digital and municipal water research, “small utilities are in much earlier stages of their digital journeys than their larger peers.”

The Digital Transformation

For perspective, the digital transformation began with the start of third phase of the industrial revolution (“Industry 3.0”) in 1969. The transformation rapidly accelerated in the 1980s and thereafter with personal computing, networking and connectivity, the Internet, mobile devices, robotics, data storage and management, etc. Industry 3.0 introduced electronics and information technology (“IT”) to automate production and data management, and to perform human tasks.

[Continue reading.](#)

Water Finance & Management

By Doug Hatler

SEPTEMBER 18, 2023

Munis a Harder Sell? (Bloomberg Audio)

Eric Kazatsky, Senior Municipal Bond Strategist with Bloomberg Intelligence, joins to discuss the muni bond market. Hosted by Paul Sweeney and Matt Miller.

[Listen to audio.](#)

Sep 22, 2023

[Muni Bonds Slump on Federal Reserve's Higher-for-Longer Stance.](#)

Municipal bonds joined the rout in broader debt markets after the Federal Reserve indicated its intention to keep interest rates high for as long as necessary to contain inflation.

Prices fell across the board as benchmark yields on top-rated municipal bonds jumped as much as 16 basis points in trading on Thursday, according to Bloomberg pricing data. The 10-year yield now stands at 3.13%, the highest since November, while the shortest-dated securities yield 3.58%.

"Market participants are anxiously awaiting the Fed being able to start cutting rates and yesterday's conversation from the FOMC clearly indicates that the pause is going to be longer than the market was hoping for," said Pat Luby, a municipal strategist at CreditSights Inc.

[Continue reading.](#)

Bloomberg Markets

By Maxwell Adler

September 21, 2023

[Hospital-Backed Municipal Bonds: A Hidden Opportunity in the Pandemic Fallout](#)

It's no secret that the COVID-19 pandemic was hard on the healthcare sector. From delays on routine medical procedures to the pressures the virus put on the first responders, the healthcare sector was impacted in a variety of ways - even some that investors may not have been truly aware of.

This includes hospital-backed municipal bonds.

But the COVID-19 crisis may finally be beginning to thaw for these municipal bonds and a new bull market could be starting. For investors looking at values in the muni sector, hospital and healthcare bonds could be a great bet.

Hit by COVID Crisis and Rising Rates

While the pandemic may be in the rearview mirror in terms of the virus, the outbreak is still having some wide-reaching effects. This is particularly true when it comes to hospital construction, expansion and funding.

[Continue reading.](#)

dividend.com

by Aaron Levitt

Sep 19, 2023

Munis Fall Short Of Seasonal Expectations In August.

August update

- Municipals posted negative total returns amid rising interest rates.
- Issuance exceeded tempered expectations, while demand waned as performance struggled.
- Late-cycle macro dynamics and fading seasonal tailwinds could create opportunity in the autumn.

Market overview

Municipal bonds deviated from the seasonal trend and posted negative total returns in August. Interest rates rose on the back of resilient economic growth, elevated Treasury supply, and a hawkish tone from the Federal Reserve (Fed) at the Jackson Hole Economic Symposium. The yield on the benchmark 10-year Treasury note closed at a new cycle high of 4.34% late in the month. Rich valuations and less favorable supply-and-demand dynamics prompted municipals to underperform comparable Treasuries. The S&P Municipal Bond Index returned -1.10%, bringing the year-to-date total return to 1.65%. Shorter-duration (i.e., less sensitive to interest rate changes) and higher-rated bonds performed best.

[Continue reading.](#)

advisorperspectives.com

by Peter Hayes, James Schwartz, Sean Carney of BlackRock

9/16/23

Infrastructure Becomes Locked Market in Muniland: Masters of the Muniverse

Despite trillions being passed through recent bills to reduce inflation and spur infrastructure spending, neither goal has really been met. At first blush, the prospects of all that federal money being directed at much needed infrastructure improvements and repairs was music to the muni markets ears. However, that dream of being part of the funding solution has never really materialized and only added to the myriad of issues facing the tax-exempt market. Joining myself and Karen this month to discuss the many challenges the municipal market is facing is Hector Negrone, Founder and CEO of Foundation Credit. For those unfamiliar, Foundation is a leading alternative asset manager dedicated to municipal credit and infrastructure debt markets in the United States. Hector is no stranger to our markets, with a career spanning over 3 decades in investing proprietary trading, public/private financing, derivatives, and structured products. Listen to this episode on Apple Podcasts and Spotify.

[Listen to audio.](#)

Sep 22, 2023

[Appealing Municipal Market Indicators and Strong Economic Data is Fueling the Golden Age of Municipals Despite Near-Term Uncertainty.](#)

- Municipal yields have risen to some of their most attractive levels this year, and relative value indicators are also appealing.
- Housing prices turned positive in July. This, and other stronger than anticipated economic indicators are likely to extend the “Golden Age of Municipals.” Therefore, overall credit quality has the potential to be stronger for a longer period of time despite hints of near-term economic uncertainty.
- Public finance upgrades outpaced downgrades again in the second quarter of 2023. We could see a record number of public finance upgrades in 2023. Upgrades are likely to outpace downgrades in 2024 as well.

[Continue reading.](#)

advisorhub.com

by Tom Kozlik, Hilltop Securities

September 21, 2023

[S&P U.S. Mortgage Revenue Bond Program Medians: Strong Credit Quality Keeps The House In Order](#)

Key Takeaways

- S&P Global Ratings’ median rating for U.S. housing finance agency (HFA) mortgage revenue bond (MRB) programs is AA+/Stable.
- The application of our MRB program criteria, published Oct. 10, 2022, resulted in minimal rating actions in the sector, though all were positive.
- The median minimum asset-to-liability (A/L) parity for all MRB programs is 121%.
- Single-family MRB programs strengthened in the past year as prepayments slowed and origination increased.
- Multifamily MRB program A/L parity declined in the past year but remained strong, as HFAs used program equity to help finance affordable multifamily developments.
- We expect rating stability among MRB programs, with increases in loan production and bond issuance activity despite volatile market conditions, rising interest rates, and still-elevated home prices.

[Continue reading.](#)

12 Sep, 2023

[S&P U.S. Not-For-Profit Acute Health Care 2022 Medians: Historically Low](#)

[Metrics Signify A Long Road To A New Normal](#)

Key Takeaways

- **Virtually all fiscal 2022 medians weakened.** Margins and coverage ratios were particularly hard hit, reflecting labor and inflationary pressure that we believe is moderating but remains stubbornly high.
- **Weaker operating performance trickled into balance-sheet metrics.** Absolute unrestricted reserves weakened but remain remarkably resilient. Inability to improve cash flow could accelerate balance-sheet deterioration and pressure credit quality. Days' cash on hand is expected to remain lower due to permanently higher salary structures.
- **Provider relief funding delivered limited respite from operating pressure.** Traditional COVID-19 stimulus funding waned while state and FEMA grants grew. Without these funds, the operating margin median was negative 1.4% compared with essentially breakeven margins including support.
- **Net patient service revenue rebounded for the second year in a row.** However, even a nearly 12.5% increase between 2021 and 2022 was insufficient to offset a 17% increase in expenses including elevated salaries and benefits as a percent of net patient service revenue.
- **Debt levels rose slightly.** Debt as a percent of capitalization ticked up due, in part, to lower unrestricted net assets but absolute debt levels increased as well because some organizations took advantage of still-low interest rates.

[Continue reading.](#)

15 Sep, 2023

[Fitch Ratings Releases Granular Sector-Specific 2022 Transition and Default Study.](#)

Fitch Ratings-London/New York-13 September 2023: Fitch Ratings has published an expanded sector-specific transition and default study for 2022. Transition and default rates are used by a number of participants in the debt capital markets to calibrate credit risk across their portfolios. From an investor with a mandate that includes rating level restrictions to a risk manager running complex quantitative models, reliable transition and default data act as key inputs to financial analysis. They also quantify the stability of ratings over time.

To aid with this analysis and to provide more granular information to market participants, Fitch has expanded its annual rating transition and default report to incorporate a number of key sub-sector and sub-asset-class tables. The new data includes a split out of financial and non-financial corporates including individual sector tables for emerging and developed markets. It also includes a breakdown of key structured finance sub-asset classes such as Autos, Credit Cards, Prime-RMBS and CLOs.

The full dataset includes 427 transition and default matrices, based on track record from 1990.

The dataset is available to Fitch Connect subscribers.

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[Fitch: Recruiting Staff Remains an Uphill Battle for U.S. Life Plan Communities](#)

Fitch Ratings-New York/Austin-13 September 2023: Workforce recovery remains a formidable challenge for U.S. life plan communities (LPCs) with no apparent relief in sight, according to Fitch Ratings in its latest labor dashboard for the sector.

Labor challenges appear to be most daunting for LPCs with payrolls still trailing pre-pandemic levels and inflationary pressures still very much present within the broader economy. Though payrolls for skilled nursing facilities (SNFs) are also lower than before the pandemic, average hourly earnings growth has slowed to levels below the private sector. According to Director Richard Park, the disparity in wage growth appears to be a function of two factors.

“LPCs can pass through wage increases to residents and need to maintain a high level of services to keep occupancy and lead generation high,” said Park. “SNFs, by comparison, often generate a large portion of revenue from governmental payors, resulting in a permanent increase in nursing costs that may be forcing providers to reduce staffing needs by lowering capacity and improving productivity.”

Conversely, assisted living (AL) facilities are experiencing a favorable recovery picture. While payrolls at LPCs and SNFs remain 7% and 10% below pre-pandemic levels, respectively, AL payrolls have fully recovered to 4% above pre-pandemic levels.

Another area of concern continues to be Quit Rates, which remain high. The number of quits in the health care and social assistance sector remains high at 2.3% as of July 2023, compared to the 1.6% average from 2010 to 2019. “The tight labor market continues to be in favor of workers in search of higher wages and better work environments,” said Park.

“Life Plan Communities Labor Tracker: September 2023” is available at www.fitchratings.com.

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[Transportation Is Feeling the Heat.](#)

As cities nationwide get hotter, addressing extreme temperatures and their effects on roads, bridges and rail is becoming a priority.

The pavement in Phoenix was at times this summer hot enough to fry an egg on. Just this past weekend, the Arizona capital reached a record 55th day of temperatures above 110 degrees. It has been the hottest and driest summer on record. But if an approach to create “cool pavements” works, not only won’t it be possible to cook an egg on the city’s roadways anymore, but those roadways also won’t be as likely to buckle in the extreme heat.

Cool pavements is just one of a number of approaches that David Hondula, director of Phoenix’s Office of Heat Response and Mitigation, is testing in an effort to address the impact high temperatures are having on the city’s transportation systems. Hondula testified Wednesday before the Senate Environment and Public Works Committee that he wants those approaches to be models for other local governments.

“All across the country, local governments like ours have begun to recognize that there are serious deficiencies in planning for, mitigating and managing extreme heat,” he said.

[Continue reading.](#)

Route Fifty

By Kery Murakami,
Senior Reporter

SEP 14, 2023

[How Bonds Can Help Cities Manage Extreme Weather.](#)

U.S. state and local governments are increasingly using bonds to raise capital for infrastructure and housing projects that mitigate and protect against extreme weather events.

Key Takeaways

- States and cities are issuing sustainability bonds to raise funds for energy-efficient affordable housing and infrastructure that protects communities against climate change.
- The market for sustainability bonds has grown, as issuers combine social projects with green financing.
- Investors are looking to sustainability bonds to protect their portfolios against climate risks and capitalize on opportunities from sustainability challenges.

[Continue reading.](#)

Morgan Stanley

Sep 13, 2023

[San Diego Airport Is Latest Snazzy Makeover Financed by Bonds.](#)

- **New Terminal 1 adds gates and a patio for waiting passengers**
- **Airports nationwide spruce up to compete as travel booms**

San Diego International is joining the parade of airports getting an upgrade, bringing a little life to a once-busy sector of the slowing municipal-bond market.

An offering of \$1.13 billion by the San Diego County Regional Airport Authority, its first in almost two years, will finance an overhaul that will add 11 gates to a new Terminal 1, bringing its total to 30. That's almost half of the 62 gates that will be available at the airport when the new terminal's makeover is completed.

The revamp will include new amenities that are becoming de rigueur as airports nationwide compete for customers in a post-pandemic travel boom. Over the next five years, the airport will add an outdoor patio where waiting passengers can gaze out on San Diego Bay, up to two airline or common-use lounges, plus a new 5,200-space parking plaza and a second taxiway for jets.

[Continue reading.](#)

Bloomberg Markets

By Skylar Woodhouse

September 15, 2023

[**What Is Public Finance Investment Banking?**](#)

What Is Public Finance Investment Banking?

Public finance investment banking is a specialized field within investment banking that focuses on providing financial advisory services to public sector entities such as governments, municipalities, and government agencies. These services involve managing and raising capital for public infrastructure projects, funding government operations, and structuring debt issuance.

Public finance investment banking plays a crucial role in facilitating the financing of public projects and ensuring the efficient allocation of resources within the public sector. The primary goal of public finance investment banking is to assist governments in navigating complex financial markets and raising funds at the most favorable terms possible.

Public finance investment bankers work closely with government officials to identify funding needs and develop appropriate financing strategies. They provide expertise in areas such as debt management, economic development, and financial planning. These bankers also help governments assess the feasibility of projects, analyze potential risks, and evaluate funding options.

[Continue reading.](#)

Investor Times

[**September Muni Market Update \(Bloomberg Audio\)**](#)

Joe Mysak, editor for the Bloomberg Municipal Brief, joins to talk about the muni bond market. Hosted by Paul Sweeney and Matt Miller.

[Listen to audio.](#)

Sep 15, 2023

[**Using Surveillance Tech to Get Insights Into Muni Bonds.**](#)

Rob Amodeo, Western Asset Management's head of municipals, discusses using surveillance technology for insights into the municipal bond market on "Bloomberg Markets: The Close."

[Watch video.](#)

Muni Moment - Bloomberg Markets: The Close

September 13th, 2023, 12:41 PM PDT

Muni Bonds at a Premium: A Wise Investment Strategy

Municipal bonds have garnered a lot of attention in recent months. Thanks to their high yields and tax advantages, many investors across various different income levels have been drawn to their benefits. With this rising demand amid slowing supplies, muni bonds have become a star performer this year as well, with many investment-grade munis now trading above par values.

But investors may want to ignore the premiums.

It turns out that buying municipal bonds at premiums is actually a very good idea. With strong cash flow and the ability to avoid key tax traps, premium muni bonds might be the only way to buy the bond sector.

[Continue reading.](#)

dividend.com

by Aaron Levitt

Sep 12, 2023

Munis on Track to Having a Strong Year.

Municipal bonds are on track to have a strong 2023. According to Steve McFee, a senior portfolio manager in Vanguard's Investment Management Group, 2022 was a challenging year. But that was primarily because of restrictive central bank policies. Those policies led to lower asset prices, higher yields, and wider credit spreads across the bond universe. And despite this, fundamentals for munis remained strong. The rise in real estate prices led to increased state and local tax revenues over the past few years. Additionally, many municipalities augmented their "rainy-day" funds with COVID-era stimulus money.

[Continue reading.](#)

ETFTRENDS.COM

by JAMES COMTOIS

SEPTEMBER 14, 2023

How Higher Rates Could Actually Help Muni Bond ETFs.

The widely followed ICE AMT-Free US National Municipal Index is higher by 1.17% year-to-date, indicating 20-year high interest rates aren't sapping muni bonds as they did last year.

It's not clear that the Federal Reserve is done tightening this year. Even murkier is the 2024 timeline regarding when rate cuts will arrive, if at all. However, 2023 sturdiness in municipal debt could be a signal that investors can wade back into the higher-yield portion of the pool and evaluate exchange traded funds such as the VanEck High Yield Muni ETF (HYD).

HYD, which tracks the ICE Broad High Yield Crossover Municipal Index, is sporting a modest year-to-date gain, but investors are well-compensated for embracing the ETF as highlighted by a 4.68% 30-day SEC yield - high by the standards of muni bond funds. Additionally, HYD could find other tailwinds as 2023 draws to a close.

[Continue reading.](#)

ETFTRENDS.COM

by TOM LYDON

SEPTEMBER 14, 2023

[**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 July) \$246.1 billion, -14.6% Y/Y
- Trading (as of July) \$14.5 billion ADV, -8.1% Y/Y
- Outstanding (as of 1Q23) \$4.0 trillion, -0.8% Y/Y

[Download xls](#)

September 5, 2023

[**As Cyberattacks Grow, Cyber Insurance is Increasingly Out of Reach for Many Municipalities.**](#)

Experts caution that governments need to recalibrate their cyber risk management approaches by emphasizing employee training and taking a whole-of-state approach

Welcome back to Route Fifty's Public Finance Update! I'm Liz Farmer and this week I'm writing about cyber insurance amid a [dramatic increase](#) in ransomware attacks on governments.

Breaches of public entities and services are up 40% in the second quarter of 2023 compared to the first, according to a threat assessment by the tech company BlackBerry.

The increase comes on the heels of a rise in cyberattacks in 2022 as well. Third party-related ransomware attacks, in particular, increased by 136% last year and accounted for 52% of incidents, according to the most recent [ForgeRock Identity Breach Report](#).

[Continue reading.](#)

ROUTE FIFTY

by LIZ FARMER

SEPTEMBER 6, 2023

[How One State Pushes Cybersecurity to Local Agencies.](#)

Arizona’s whole-of-state cybersecurity program gives local governments free access to cloud-based cybersecurity tools—an approach that extends security and helps build a problem-solving community.

Local governments and school districts trying to defend themselves against cyberattacks have long struggled with staff shortages and tight budgets. Now, state IT offices are stepping up to help.

In Arizona, the statewide information security and privacy office known as Cyber Command offers cloud-based security services to state and local agencies free of charge—an approach known as whole-of-state cybersecurity that is gaining traction nationwide.

“We’re buying en masse cybersecurity tools for all of our agencies and then providing them back at no cost to them, which is sort of a novel concept,” said Ryan Murray, deputy director of Arizona’s Cyber Command and interim chief information security officer.

[Continue reading.](#)

Route Fifty

By Stephanie Kanowitz

SEP 5, 2023

[Public Debt and the Art of the Float.](#)

Governments need to balance expected returns on their invested cash with the costs of their bonds and other obligations. Shifting a portion of their long-term debt from fixed to floating rate is a way to hedge interest rate risk.

It’s a cliché we hear from so many political candidates: “Government should be run like a business.” Ironically, the collapse of Silicon Valley Bank and other recent bank debacles confirm that governments do indeed have much to learn from businesses. But in this case, the lessons are what not to do.

The most obvious message to be drawn from these meltdowns is that organizations, whether businesses, not-for-profits or governments, cannot ignore the credit risk of depositing large amounts of uncollateralized cash in seemingly rock-solid banks. The more subtle, yet no less important, lesson is that governments need to carefully and consciously manage their interest rate and related liquidity risks. More specifically, they must appropriately balance expected returns on invested assets with their required payments on bonds and other debts.

For sure, this is a principle that government treasurers and other public finance officers of a certain age need not be taught. They are likely to recall the 1994 bankruptcy of Orange County, Calif. The county, one of the nation's wealthiest, borrowed short and invested long, which ultimately produced the same financial consequences as those that struck Silicon Valley Bank.

[Continue reading.](#)

governing.com

by Martin J. Luby and Michael H. Granof, University of Texas

Sept. 5, 2023

[S&P U.S. State Pension And OPEBs: Funding Progress Is Likely To Pick Up In 2023 After Slipping In 2022](#)

Key Takeaways

- Weak investment performance dropped U.S. state pension funded ratios to 73.6% from 81.2% in fiscal 2022, although we expect marginal improvement for fiscal 2023 will blunt potential near-term pressures to states' debt and liability profiles.
- Absent plan modifications, contribution rates could inch up further to address pension funding shortfalls, leading to longer-term budget pressure for some states.
- The potential for further monetary policy tightening and slower economic growth, or equity market uncertainty could require states to exercise heightened pension funding discipline to meet assumed investment return targets.
- Retiree medical or OPEB plans remain substantially underfunded and are not likely to change without significant plan reforms or increased contributions.

[Continue reading.](#)

7 Sep, 2023

[The IRA and Public Schools.](#)

Public school buildings in the United States are crumbling. National school infrastructure received a D+ rating from the American Society of Civil Engineers in 2021, and in more serious cases, learning environments have become toxic. Given the segregated and unequal nature of public schooling, building quality is closely tied to racial and class-based inequalities, with schools in lower-income communities confronting the most serious health and safety consequences. In addition to these unsafe working environments for teachers and students, a [recent study](#) by scholars at the Harvard School of Education found that schools are one of the largest consumers of energy within the US public sector, consuming energy equivalent to eighteen coal-fired power plants or fifteen million cars each year. This is both costly and necessitates involving schools within the broader project of decarbonization.

Indeed, schools are an essential arena for the Biden administration's new green industrial policies.

While a cottage industry has formed around assessing whether Biden's industrial policies—specifically the Inflation Reduction Act (IRA)—are commensurate to the scale of the problems they set out to address, it's imperative to survey how IRA programs might look on the ground if applied to their fullest strength. How would IRA programs affect public education finance—specifically school facilities and infrastructure? And how would these financial flows challenge the present state of educational inequality and segregation?

Perhaps because the American Rescue Plan—the Biden administration's pandemic relief package—included \$122 billion in funding for schools, the IRA was not billed as a piece of education legislation, nor did schools take center stage in either the negotiating process or messaging around the policy. But the IRA holds major implications for public schools. While details on these policies are still forthcoming, I examine how two IRA flagship programs—the direct pay Investment Tax Credit (ITC) and the Greenhouse Gas Reduction Fund (GGRF)—could function within existing public-school infrastructure projects. A [report](#) from Aspen Institute's education arm summarizes thirteen policies in the IRA that school districts could benefit from, of which the ITC and GGRF stand out for their novelty and impacts.

[Continue reading.](#)

Phenomenal World

by David I. Backer

September 7, 2023

[Nursing Home Staffing Mandates to Further Strain Troubled Sector .](#)

- **Rule comes amid labor shortages, uptick in payment defaults**
- **High death rates during Covid highlighted need for better care**

A proposed federal rule that would establish staffing requirements at nursing homes across the US could push the already-troubled sector further into distress, even as the pandemic highlighted their failings.

The Centers for Medicare & Medicaid Services said that “chronic under-staffing remains a concern,” in a Sept. 1 statement outlining the proposed rule, which includes requiring a registered nurse onsite 24 hours a day, seven days a week. About 75% of US facilities would need to make adjustments under the new rule, CMS said. Nursing homes could receive a hardship extension “in limited circumstances.”

Labor shortages and their associated costs still plague nursing homes, which in some cases have eliminated beds because of an absence of caretakers. That's also created a problem for hospitals, which rely on the homes to take patients who need rehabilitation services when they're ready for discharge.

[Continue reading.](#)

Bloomberg

By Lauren Coleman-Lochner

September 8, 2023

Fitch: Immigration-Driven Labor Supply Sustains Job Growth as Labor Market Cools; 2024 Job Losses Expected

Fitch Ratings-New York-08 September 2023: Higher level of immigration in 2022 and 2023 has increased labor supply, driving the labor force participation rate higher, easing labor shortages and sustaining job growth, according to a new report from Fitch Ratings.

“Labor supply has increased, largely on the supply and participation of immigrants, and an uptick in the participation of prime aged workers between ages 25-54,” said Olu Sonola, Head of U.S. Regional Economics.

“Despite the resilient normalization of labor demand thus far in 2023, labor demand is expected to decelerate further. Job losses are expected in 1H24 as aggregate demand stagnates in response to the lagged effect of higher interest rates and tightening credit conditions.”

The three-month average job growth during August 2023 was 150,000, falling below the 2019 average of 164,000 jobs for the first time since the pandemic recovery began.

Catch-up industries continue to dominate job growth, with health care and leisure & hospitality contributing approximately 50% of the uptick. The information sector, which includes technology jobs, has contracted in YTD.

Job openings are fast declining to pre-pandemic levels, with 8.9 million in July of 2023, which is down from peak of 12 million in March 2022. At an average monthly decline of 340K in 2023, openings will be back to pre-pandemic levels by December 2023.

The labor demand and supply imbalance equals 1.8% of the labor force as of July 2023, a notable decline since 2.8% in April 2023.

Year-over-year wage growth for private industry employees is declining but still elevated, down from 6% in 2022 to the current 5%.

Thirteen states are below pre-pandemic employment levels, with acute labor shortages above 3.0x in twelve states, with North Dakota the highest at 4.1x.

The median unemployment rate of 3.0% at the end of July 2023 remains below the February 2020 pre-pandemic median rate of 3.6%. The unemployment rate is now below the pre-pandemic level in 36 states.

For more information, a special report titled “U.S. States — Labor Market Quarterly Tracker — 3Q23” is available at www.fitchratings.com.

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Fitch: U.S. Water Utilities Hold Steady as Recession Looms

Fitch Ratings-New York-11 September 2023: U.S. water utilities weathered a global pandemic remarkably well and appear to be on solid footing as the broader economy inches closer to recession, according to Fitch Ratings' latest annual peer review for the sector.

Slower economic growth and persistent inflation are leading Fitch economists to call for a possible recession in either late-2023 or early-2024. Nonetheless, most water utilities fared well, as evidenced by sustained operating revenue growth. "Inflationary pressures have not been as acute as expected with operating costs increasing only slightly and at a slower pace," said Senior Director Audra Dickinson.

Another sign of the sector's resiliency is evident in liquidity, which remains robust with the median for retail systems' liquidity cushion improving to over 600 days. The metric dropped for wholesale systems, but remains over 500 days.

The picture is more mixed as it pertains to leverage, which improved slightly for retail systems. Conversely, leverage jumped notably for wholesale systems. Given the 'AA+' median rating across the portfolio, most issuers still retain headroom and most ratings are not imminently pressured.

Fitch's U.S. Water and Sewer: Peer Review is a point-in-time assessment of Fitch-rated public water and sewer utilities. It assists market participants in making their own comparisons among the recent financial performance of wholesale and retail water and sewer systems. It is accompanied by the 2023 Water and Sewer Fitch Analytical Comparative Tool (FACT), an interactive tool that provides enhanced trend analysis and peer comparison tables.

The full report, U.S. Water and Sewer 2023 Peer Review is available at www.fitchratings.com.

Summer Travel Boom Reignites Airport-Bond Sales in August.

- **US airports need \$151 billion over 5 years, trade group says**
- **August saw bond sales for Chicago, Atlanta, DFW airports**

Cities are reviving plans to tap the \$4 trillion municipal-bond market to build and renovate runways, concourses and terminals for airports as passenger traffic rebounds to levels last seen before the

pandemic.

During the first half of 2023, sales of airport bonds dropped to roughly \$3 billion — less than a third of the amount seen in the year earlier period — as the Federal Reserve raised interest rates. But a cluster of sales totaling \$1.8 billion in August has brought the sector back to life.

Recent sales for hub airports in Chicago, Atlanta and Dallas-Fort Worth indicate a pick up of issuance given pent-up capital needs, said Mikhail Foux, head of municipal strategy at Barclays.

[Continue reading.](#)

Bloomberg Markets

By Shruti Singh

September 5, 2023

[Kayne Anderson's Friedrichs Sees Huge Demand for Munis,](#)

Kim Friedrichs, Kayne Anderson Rudnick managing director of fixed income, says there's not enough supply to meet the "tremendous" demand for municipal bonds. She speaks with Romaine Bostick and Katie Greifeld on "Bloomberg Markets: The Close."

[Watch video.](#)

Muni Moment - Bloomberg Markets: The Close

September 6th, 2023

[Muni Market Triple Lindy \(Bloomberg Audio\)](#)

Eric Kazatsky, Senior Muni Bond Strategist with Bloomberg Intelligence, joins to discuss the municipal bond market. Hosted by Paul Sweeney and Matt Miller.

[Listen to audio.](#)

Sep 08, 2023

[Muni Investors Risk Dismal Returns in September, Barclays Says.](#)

- **'It is hard to be overly optimistic about municipals': note**
- **New-issue supply expected to total \$30 billion to \$35 billion**

Municipal-bond investors should heed historical trends and steer clear of the market in September if they're unsure of what to buy, according to Mikhail Foux, Clare Pickering and Mayur Patel of Barclays.

“Historically, September and, to a lesser degree, October have not been kind to municipal investors; 2015 is the last time investors were able to realize sizable returns in the autumn,” the analysts wrote in a Friday note. Over the past five years, the average return for munis in September and October has been -5.7% and -1.8%, respectively.

Rate volatility will likely persist, making it difficult to be optimistic about municipals this month, according to the note. The analysts recommend that investors “remain relatively light” on the asset class going into October, unless the muni market sell off meaningfully.

[Continue reading.](#)

Bloomberg Markets

By Joseph Mysak Jr

September 8, 2023

[Fitch: U.S. State Budgets Prepared to Prove Mettle Headed into 2024](#)

Fitch Ratings-New York-30 August 2023: U.S. state budgets are ready and waiting for a slower economy in the coming months, according to Fitch Ratings in its latest report.

Slower economic growth and persistent inflation are leading Fitch’s economists to call for a possible recession in either late-2023 or early-2024. Revenue growth for most states is already slowing as a result. Fitch’s analysis of monthly tax revenue collection reports indicates at least 17 states saw yoy declines in tax collections for the 12 months ended June 30, with the sharpest declines in California and New York. Despite these declines, actual tax revenues remain well ahead of pre-pandemic levels, suggesting a higher baseline.

However, Fitch Senior Director Karen Krop believes that states are prepared. ‘State budgets are well-positioned to address economic uncertainty,’ said Krop. ‘A big reason is reserves, which states are adding to in greater numbers while paying down liabilities.’ A notable example is Illinois, with reserves at an all-time high of nearly \$2 billion and another \$138 million anticipated in fiscal 2024.

2024 state budgets far are also showing increases in spending, namely on education (especially K-12), health care, transportation, the environment and affordable housing. Almost all states are reporting tight labor markets and wage pressure that is contributing to fairly significant wage increases.

Tax policy changes remain a notable feature of enacted budgets, with many states taking advantage of strong post-pandemic growth to reduce tax burdens, temporarily or permanently. Although the pace of tax reductions is slowing, Fitch sees ongoing tax cuts as an area to watch. ‘Permanent tax reductions that rely on temporary revenue surges or draw on accumulated balances pose a potential risk to financial resilience,’ said Krop.

‘2024 U.S. State Budgets Resilient’ is available at ‘www.fitchratings.com’.

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[P3 State Legislation Update and Opportunities for the Private Sector: Squire Patton Boggs](#)

P3 state legislation continues to expand and move forward with governors signing legislation into law and sending some bills back to legislatures for review and revision. The states have in common efforts to define the breadth and depth of projects suitable for public private partnerships and many are working to establish specific offices to manage their infrastructure projects. Suffice it to say that the infrastructure to build infrastructure is being built out through state legislation. You can find our current P3 State Legislation Tracker [here](#).

It's time for the private sector to pay attention and interact with state governments as each state is marching to the beat of its own drums when it comes to P3 legislation. The private sector is going to need eyes in the back of its head to predict where to put down stakes. While not necessarily efficient, the market is full of opportunities for the private sector in terms of procurement and financing. Even with state and federal funds, there is a huge need for private sector investment. And, of course, there is the opportunity for the private sector to engage with state government regarding its expertise and financial support for P3 projects.

On our radar this month is California which continues to expand authority for the use of P3s and progressive design build procurement. Progressive design build procurement is a project delivery method that combines elements of both design-build and traditional design-bid-build approaches. Progressive design build involves contractors early and develops project design in stages providing more flexibility and cost control during the development phase with the contractor taking responsibility for both design and construction with input from the public owner.

[Continue reading.](#)

Squire Patton Boggs - Karol K. Denniston, Jonathan M. Taunton and Kara-Marie Urban

August 24 2023

[What To Expect From S&P Global Ratings' U.S. Public Finance Rating Process.](#)

This publication outlines what to expect from the typical rating process when working with S&P Global Ratings' U.S. Public Finance (USPF) group and presents responses to frequently asked questions about the rating process, to provide transparency and comfort for new and frequent issuers. USPF is active in the following sectors: state and local government, transportation, utilities (water, sewer, public power), higher education, charter schools, health care, and housing. Through our ratings, we provide independent essential intelligence that investors can use to assess creditworthiness, compare different issuers and securities, supplement their own credit analysis, and meet investment guidelines. Our criteria for evaluating issuer creditworthiness and various types of debt are publicly available in the "About Ratings" section at www.spratings.com and our analysts are accessible and responsive throughout the rating process.

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[The Future Of Commercial Real Estate And Big City Budgets.](#)

More than three years after the beginning of the COVID-19 pandemic, the shift to remote work for many office workers has put the future of commercial real estate, and potentially city government budgets, on shaky ground.

One data and analytics group estimated that commercial property values are down 12 percent over the past 12 months, putting today's values on par with those in May 2018. In comparison, residential home values are about 50 percent higher than in mid-2018.

The divergence in commercial and residential property values makes it hard to predict the fiscal consequences for local governments broadly. Total property tax revenue accounts for 30 percent of local general revenue, but the pain from this transition will likely be concentrated in major cities with big commercial districts.

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Tax Policy Center

by Thomas Brosy

August 22, 2023

[Crisis in Concrete: Navigating the Ripple Effects of Commercial Real Estate on Municipal Bonds](#)

Declining commercial real estate valuations will not likely lead to a wave of defaults among muni issuers, according to Franklin Templeton Fixed Income's municipal bond team.

Executive summary

A decline in commercial real estate (CRE) prices is causing some investors to worry about the potential impact on their municipal (muni) bond holdings. In this publication, we dig deeper into the issue, and share some of the factors the Franklin Templeton Fixed Income (FTFI) muni credit research team considers in our security selection process. To answer the most pressing question first: We do not currently expect declining CRE valuations will lead to a wave of defaults among muni issuers, and we still believe in the sector's fundamental strength. In our view, balance sheets currently look strong. Federal COVID-19 aid gave rainy-day funds a significant boost. Budgets significantly expanded through strong revenue increases during the post-pandemic recovery and have been maintained with conservative budgeting and fiscal discipline.

In our view, falling CRE values will not escalate into a sector-wide crisis. While we anticipate some ratings downgrades over the near to medium term, we believe they will be idiosyncratic in nature. In determining the overall impact decreased CRE valuations will likely have on specific muni issuers, our dedicated credit research team looks at a wide range of factors on a case-by-case basis.

First, revenue sources, tax bases and primary service areas differ significantly across issuer types (cities, counties, school districts, hospitals, etc.), which leads some issuers to be more sensitive than others to changes in property prices. Second, property valuation changes do not have an immediate revenue impact, but rather, trickle through into tax collections with a lag, allowing time for issuers to react and offering them a wide array of options to address declines. Fundamentally, municipalities can reshuffle expenditures in their budgets, raise revenues or tap reserves if needed to incorporate lower property tax receipts. Additionally, they can change policies to encourage development or other activities that result in more revenue to the city. Lastly, muni bonds often have additional protections, such as insurance, oversight programs and legal provisions, which can help mitigate against potential default events.

Despite the headwind CRE valuations pose on issuers, we continue to believe that attractive opportunities can be found regionally and nationally across the credit spectrum. Robust, bottom-up research and strong security selection will remain crucial in our view going forward.

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FRANKLIN TEMPLETON

AUGUST 24, 2023

[No Real Fix To the Sharp Rise in Public Debt Loads, Economists Say.](#)

Jackson Hole, Wyoming, Aug 26 (Reuters) - The steep jump in public debt loads over the past decade and a half, as governments borrowed large amounts of money to battle the Global Financial Crisis and the fallout from the COVID-19 pandemic, is probably irreversible.

That's the unhappy conclusion of a research paper being presented on Saturday to some of the world's most influential economic policymakers at the Kansas City Federal Reserve's annual central banking symposium in Jackson Hole, Wyoming.

Since 2007, worldwide public debt has ballooned from 40% to 60% of GDP, on average, with debt-to-GDP ratios even higher in the advanced countries. That includes the United States, the world's biggest economy, where government debt is now more than equal to the nation's yearly economic output. U.S. debt was about 70% of GDP 15 years ago.

[Continue reading.](#)

Reuters

By Ann Saphir

August 26, 2023

[EPA Cybersecurity Rule Challenged by States and Water Systems Associations.](#)

On July 25, Missouri, Arkansas, and Iowa (the states), along with intervenors American Water Works Association and National Rural Water Association (the water associations), petitioned the Eighth Circuit to review the U.S. Environmental Protection Agency's (EPA) new rule requiring states to review and report cybersecurity threats to their public water systems (PWS).

In August 2022, the EPA provided a report to Congress describing its plan and prioritization framework for addressing the cybersecurity needs of the public water system. The EPA then issued an "implementation memo" in March 2023 that laid the groundwork for the EPA's plan to combat cybersecurity risk. The memorandum requires states to incorporate an evaluation of the cybersecurity of operational technology used by a PWS when conducting its sanitary surveys. A sanitary survey is a review of a PWS to assess its capability to supply safe drinking water, and the EPA is including cybersecurity as a potential deficiency. In a press release announcing the memo, EPA Assistant Administrator for Water Radhika Fox said, "Cyber-attacks against critical infrastructure facilities, including drinking water systems, are increasing, and public water systems are vulnerable. Cyber-attacks have the potential to contaminate drinking water, which threatens public health." In early July 2023, the Eighth Circuit blocked implementation of the rule while the legal challenge is ongoing.

The states' brief argues that the EPA's Cybersecurity Rule unlawfully imposes new legal requirements on states and PWSs, and that the rule exceeds the EPA's statutory authority by ignoring congressional actions limiting cybersecurity requirements to large PWSs and changing the criteria for sanitary surveys through a memorandum. The states also assert that the rule is arbitrary and capricious because the EPA (i) failed to acknowledge or explain it had changed policies relating to amending the minimum criteria or the scope of sanitary surveys and (ii) failed to consider important aspects of the rule, including that the state agencies responsible for conducting the surveys lack the level of cybersecurity expertise necessary to complete the evaluations expected by the EPA, and the frequency with which sanitary surveys occur (every three to five years) will not ensure PWSs address new threats in a timely fashion.

[Continue reading.](#)

Troutman Pepper

September 1, 2023

[US Water Infrastructure 'Unsustainable' Amid Rapidly Evolving Crisis, Report Warns.](#)

The United States is facing an unsustainable demand for water and lacks the security posture to defend the nation's water systems from emerging threats, according to a new report.

The National Infrastructure Advisory Council voted unanimously on Monday to approve a new report that describes current U.S. water infrastructure as “unsustainable” and warns that the nation is not prepared to cope with a “rapidly evolving water crisis.”

There are more than 150,000 public water systems in the U.S., and an estimated 80% are publicly owned and operated by municipalities. Water and wastewater systems have faced increased cyber threats in recent years, in addition to new security challenges posed by climate change, growing demand for fixed water supplies nationwide and a critical lack of funding.

The [report](#) attributes inadequate conditions across the water and wastewater industries to “decades of chronic underfunding and underinvestment” in the U.S. and makes several recommendations to increase water supply sustainability, from aquifer recharges to developing highly integrated water management systems.

[Continue reading.](#)

Route Fifty

By Chris Riotta

AUG 29, 2023

[U.S. and Canadian Ports - Fitch Peer Review \(Attribute Assessments, Metrics and Ratings\)](#)

This Fitch Ratings report highlights the operating and financial performance of Fitch-rated ports in the U.S. and Canada. These benchmarks are used to determine attribute assessments. The report uses six statistics and ratios calculated from annual audited financial statements, or from supplemental data received directly from the ports, along with select forward-looking metrics reflecting Fitch's base and rating case analyses. Financial data reflects fiscal 2022 data, the last full financial year for the majority of rated ports. Throughput data for 2019 and 2022 is also included to provide a benchmark of volume performance before and following the coronavirus pandemic. A port's financial metrics, relative to Fitch-designated peer groups, constitute an important component of our credit analysis. This report focuses primarily on U.S. and Canadian ports with a standalone pledge of port revenue. Consolidated entities with primary business lines other than port activity, including airport and/or toll facility operation, are not included in this comparative analysis. A list of public Fitch-rated consolidated ports is included in Appendix D.

[ACCESS REPORT](#)

Tue 29 Aug, 2023

