

U.S. Municipal Bond Market

Building America's Infrastructure with Municipal Bonds: A 2024 Overview

- **Total issuance (through December 6th) of 2024:** Approximately \$476 billion in municipal bonds were sold in 2024 to finance essential infrastructure projects across various sectors.
- **Major sectors of municipal bond issuance:** Over half of 2024’s bond proceeds were for general government purposes (28%) and education (23%), with significant activity also in transportation (13%), utilities (9%), housing (9%), and water & wastewater (8%).
- **Critical infrastructure:** These bonds support critical infrastructure, including schools, transportation systems, utilities, affordable housing, and healthcare facilities, which are vital for community development, economic growth, and public health.
- **Market stability:** The municipal bond market, valued at \$4.2 trillion as of the third quarter of 2024, has seen less than a 10% increase in the past decade due to fiscally conservative financial management by issuers, ensuring financial stability and minimizing risks.

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An Overview of Municipal Bonds Sold in 2024

State and local governments, along with other public entities such as schools, water and sewer systems, utility providers, non-profit healthcare providers, and higher education institutions, issue municipal bonds to finance essential infrastructure projects crucial for community development and economic growth. Institutional and individual investors, primarily in the United States, lend money to these issuers in exchange for regular interest payments and the return of principal upon the bond’s maturity. As of the first week of December 2024, approximately \$476 billion in municipal bonds have been sold this year.

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Summary of Municipal Bond Issuance by Use of Proceeds

Par Amount (\$ in billions)	% of Total	Use of Proceeds
		General Govt.
\$133.86	28%	Purpose
110.70	23%	Education
59.70	13%	Transportation
44.86	9%	Utilities
43.65	9%	Housing
38.36	8%	Water & Wastewater
29.40	6%	Health Care
11.66	2%	Public Health, Recreation, Econ. Dev.
3.63	1%	Other
\$475.82		Total

Source: Ipreo and HilltopSecurities through Dec 6th.

Please see disclosure starting on page 5.

In 2024, a little over half of municipal bond proceeds were issued by state, county, and local governments for general government purposes (28%) and education (23%). Transportation projects accounted for about 13% of the issuance, totaling nearly \$60 billion. The remaining categories, each comprising less than 10% of the market, included Utilities (9%), Housing (9%), Water & Wastewater (8%), Non-profit Healthcare (6%), and Public Health, Recreation, and Economic Development (2%). Below, we provide brief descriptions of these sectors to help you understand the diverse range of projects financed by municipal bonds.

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Summary of Top 5,000 Issuers for 2024 (In All Sectors)

Category	Par Amount (\$ Mil)	% of 2024 Issuance	Num. of Issues (#)	Num. of Issues % of Total	Num. of Issuers (#)	Avg. Par Per Issuer (\$ Mil)
\$2 billion and over	\$125,450	27%	279	4%	31	\$4,047
\$1 billion and over	208,320	44%	665	9%	90	2,315
\$500 million and over	274,081	58%	1,056	15%	181	1,514
\$250 million and over	332,616	71%	1,492	21%	347	959
\$249 million and under	137,714	29%	5,632	79%	4,653	30
Total 2024 Iss. to 12/6	\$470,329		7,124		5,000	\$94

Source: Ipreo and HilltopSecurities through Dec. 6th.

General Government Purposes, 28% or \$133 billion of 2024 total municipal bond issuance

State, county and local governments sold \$133 billion of municipal bonds in 2024 for general government purposes. Municipal bonds for general government purposes ensure that government at different levels can operate efficiently and effectively. These funds support a variety of different essential services such as public safety, administration, and economic and community development. Without adequate funding, state, county, and local governments can struggle to maintain an acceptable quality of life for taxpayers and residents.

State, county and local governments sold \$133 billion of municipal bonds in 2024 for general government purposes.

One of the key advantages that the municipal bond financing mechanism provides is access to capital for smaller or irregular issuers. There were general government purpose financings for less than \$1 million in 2024 and there were financings for over \$1 billion as well across the geography of the U.S. Of the top 5,000 issuers (all sectors) who sold debt in 2024, 93% of them sold \$249 billion or less. Of issuers in that category the average amount of debt sold in 2024 was \$30 million.

Education, 23% or \$110 billion of 2024 total municipal bond issuance

Education issuance totaled \$110 billion or 23% of total 2024 issuance. Most of this, about \$72 billion (66% of the total education issuance), was sold by K-12 public schools and charter schools. The higher education sector accounted for approximately \$35 billion (32% of the total education issuance).

The value and opportunity that higher education provides to individuals and the economy have always been significant in the U.S., yielding positive returns. Federal government policies have profoundly impacted the U.S. higher education landscape over the years. Landmark legislations such as the Morrill Land-Grant Acts, the G.I. Bill of 1944, and the Higher Education Acts of 1963 and 1965 were transformative, not just for their time but for the entire history of educational support. Economic historian John

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Steel Gordon described the G.I. Bill as “The Erie Canal of the new, postindustrial economy that was then, quite unrecognized, coming into being.”

The municipal bond financing option is especially valuable in an age where technology and the labor market are rapidly changing.

Investing in primary, secondary, and higher education through municipal bonds enhances the quality of education in the U.S. for everyone, regardless of whether they have a college degree. It increases the accessibility of colleges and universities for students from the largest urban centers to the smallest rural communities. Education funds are used for building and maintaining new facilities, upgrading technology, and expanding research capabilities. A well-funded education system is vital for producing a highly skilled workforce and driving innovation. The municipal bond financing option is especially valuable in an age where technology and the labor market are rapidly changing.

Transportation, 13% or \$60 billion of 2024 total municipal bond issuance

Airports, bridges, mass transit, ports, and roads are all examples of critical transportation infrastructure. Municipal bonds financed the construction and maintenance of these essential assets in 2024. Robust transportation infrastructure is vital for sustaining optimal levels of economic activity, as it facilitates efficient movement of goods and people. Poor transportation infrastructure can lead to accidents (and fatalities in worst-case scenarios), increased travel times, and significant economic losses. Investing in surface transportation infrastructure is crucial for a booming economy, as it enhances connectivity, reduces costs, and supports overall economic growth.

Utilities, 9% or \$45 billion of 2024 total municipal bond issuance

Electric, gas, and combined facilities sold \$45 billion of municipal bonds in 2024. Gas and electric utilities are foundational to modern life and are key to future economic growth. A reliable utility infrastructure supports economic growth and technological innovation. Advancements in technology, artificial intelligence, and quantum computing are increasing the need for more energy daily.

A reliable utility infrastructure supports economic growth and technological innovation.

Municipal bonds help fund the development, construction, and maintenance of these essential services. Investing in utility infrastructure is crucial for a growing economy, as it ensures the continuous supply of energy necessary for businesses, homes, and emerging technologies. However, these critical infrastructures are increasingly vulnerable to cyber-attacks, which can disrupt services and pose significant risks to economic stability and public safety. Without a robust utility infrastructure, economic activities can be severely disrupted, leading to significant losses and stunted growth.

Housing, 9% or \$44 billion of 2024 total municipal bond issuance

The U.S. is currently facing a significant housing crisis, exacerbated by a lack of financing and higher interest rates. Municipal bonds are more valuable than ever, offering a crucial financing option to develop housing for those in need. These bonds support the construction and renovation of affordable single-family and multi-family housing units, providing access to below-market mortgage loans for low and moderate-income homebuyers. By financing these projects, municipal bonds help ensure that more Americans can find safe, affordable places to live, which is essential for community stability and economic growth.

Water & Wastewater, 8% or \$38 billion of 2024 total municipal bond issuance

Water, wastewater, and related sanitation infrastructure are crucial for public health and environmental protection. Municipal bonds finance the construction and maintenance of water treatment plants, sewage systems, and pipelines among other uses. Preventing crises like those in Newark, New Jersey; Flint, Michigan; and Jackson, Mississippi requires

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regular and adequate funding to ensure safe drinking water and effective wastewater management. The funding gap in this sector poses significant risks, making local financing solutions essential for addressing immediate needs.

Health care, non-profit, 6% or \$29 billion of 2024 total municipal bond issuance

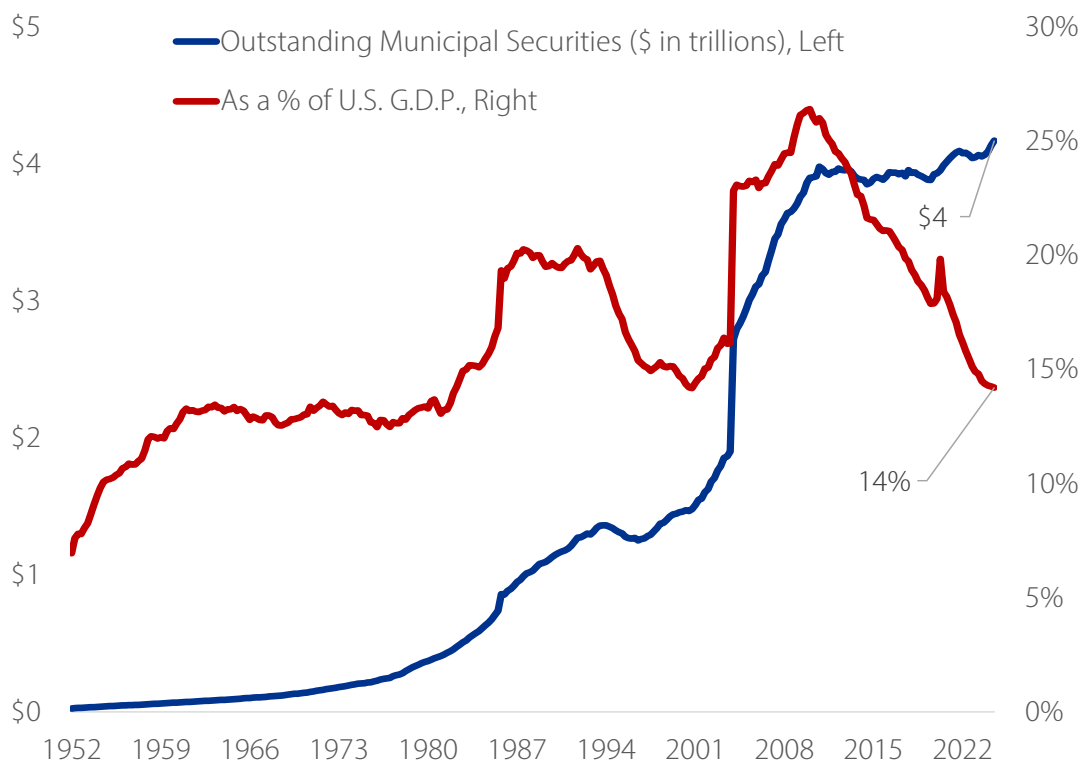
Non-profit healthcare facilities regularly rely on municipal bonds for financing needs. These bonds support the construction and renovation of hospitals and clinics, ensuring access to essential healthcare services. This financing mechanism is crucial for delivering healthcare in many areas around the country and even or especially in certain urban areas and remote rural locations. With an aging population, the demand for healthcare services is increasing, making it vital to have well-equipped facilities to provide quality care. Additionally, investing in healthcare infrastructure benefits the youth by ensuring they have access to preventive and emergency care, which is essential for their development and long-term well-being.

A key reason for this persistent stagnation is the fiscally conservative financial management practiced by municipal bond issuers.

The municipal bond market is a \$4.2 trillion financial market

There were \$4.2 trillion of outstanding municipal bonds as of the beginning of the third quarter of 2024. The amount of outstanding municipal bonds has only risen by a little less than 10% in the last ten years. A key reason for this persistent stagnation is the fiscally conservative financial management practiced by municipal bond issuers. These issuers are typically very budget-conscious, credit-aware, and focused on maintaining high credit ratings. This cautious approach helps ensure financial stability and minimizes the risk of over-leveraging. By prioritizing fiscal responsibility, municipal bond issuers can better manage their debt levels, which ultimately benefits taxpayers and residents by maintaining a stable financial environment.

Persistent Stagnation in Outstanding Municipal Debt



Source: U.S. Federal Reserve, FRED and HilltopSecurities.

Note: In the first quarter of 2004 the Fed made a \$800 billion adjustment to amount of outstanding debt.

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